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4. AG 8/3 : AG 8/4

✓ AMENDMENTS TO THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

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HEARING

BEFORE THE

SUBCOMMITTEE ON

FOREIGN AGRICULTURAL POLICY

OF THE

COMMITTEE ON AGRICULTURE,

NUTRITION, AND FORESTRY

UNITED STATES SENATE

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

S. 1

A BILL TO IMPROVE FARM INCOME, AND FOR OTHER PURPOSES,

S. 962

A BILL TO AMEND THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954 TO ENCOURAGE SELF-RELIANCE IN DEVELOPING COUNTRIES, AND

S. 1053

A BILL TO AMEND THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954 TO INCREASE THE USE AND EFFECT OF UNITED STATES FOOD

MAY 8, 1979

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

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(II)

CONTENTS

Stone, Hon. Richard B., a U.S. Senator from Florida, opening statement	Page 1
Bills:	
S. 1	2
S. 962	14
S. 1053	21

CHRONOLOGICAL LIST OF WITNESSES

Statements of a panel consisting of:	
Harrison, Dr. Kelly, General Sales Manager, U.S. Department of Agriculture, and Fred Welz, Assistant Sales Manager for Public Law 480, USDA	28
Bitterman, Kathleen S., Coordinator, and Robert Chase, Deputy Coordinator, Office of Food for Peace, Agency for International Development	31
Statements of a panel consisting of:	
Minear, Larry, representative for development policy, Church World Service and Lutheran World Relief	46
Schomer, Mark, Bread for the World	48
Statements of a panel consisting of:	
Gabbert, J. Stephen, executive vice president, The Rice Millers' Association ...	52
Sali, Gregory, S.A. International, Inc.	56

APPENDIX

McGovern, Hon. George, a U.S. Senator from South Dakota, statement	65
Gilbert, Jack, president, Columbia Basin Growers Association, Basin City, Wash., statement	66
Minear, Larry, representative for development policy, Church World Service and Lutheran World Relief, statement	71
Schomer, Mark, issue analyst, Bread for the World, statement with accompanying attachments	76
Gabbert, J. Stephen, The Rice Millers' Association, statement	87
Sali, Gregory, S.A. International, Inc., statement	90
Reeves, Don, and Paul Tabor, Friends Committee on National Legislation, statement	93

AMENDMENTS TO THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

TUESDAY, MAY 8, 1979

U.S. SENATE,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 324, Russell Senate Office Building, Hon. Richard Stone (chairman of the subcommittee) presiding.

Present: Senator Stone.

Also present: Senator Jepsen.

STATEMENT OF HON. RICHARD B. STONE, A U.S. SENATOR FROM FLORIDA

Senator STONE. Good morning, ladies and gentlemen. We are meeting today to examine legislation which has been introduced to amend the Agricultural Trade Development and Assistance Act of 1954, which is more popularly known as Food for Peace or Public Law 480.

Our committee has jurisdiction over this program in the Senate, while the International Relations Committee has the major responsibility in the House. In recent years, we have developed a procedure to deal with this jurisdictional problem by having our committee report all Public Law 480 legislation, but where the amendments are international in scope they would be added to the foreign assistance legislation.

It is my expectation that any amendments which this committee agrees upon will be reported out of committee and then added as an amendment to the foreign assistance package developed by the Foreign Relations Committee. It is my expectation that we will proceed directly to consideration by the full committee of the amendments before us.

Today, we have with us representatives from the Department of Agriculture and from AID, Agency for International Development. These are individuals with direct, day-by-day responsibility for the program, and we will be interested in their reactions to the proposed amendments and any suggestions regarding the language of the amendments that they may have.

In addition, we have public witnesses representing humanitarian groups and the private sector. I look forward to receiving the views from all of them.

The legislation before us is S. 962, S. 1053, S. 1, and H.R. 3324. H.R. 3324 contains amendments relating to Public Law 480 that were agreed upon in committee in the House of Representatives.

These amendments are similar to some of the sections in S. 962 and S. 1053.

My bill, S. 1053, includes provisions to authorize the use of the private sector in the title III program and to encourage recipient countries to move from relying on our commodities indefinitely to a more traditional commercial relationship.

At this point in the record I will submit copies of S. 1, S. 962, and S. 1053.

[S. 1, S. 962, and S. 1053 follow:]

96TH CONGRESS
1ST SESSION

S. 1

To improve farm income, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 15, 1979

Mr. DOLE (for himself and Mr. MCGOVERN) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry.

A BILL

To improve farm income, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act may be cited as the "Food and Agriculture Act
- 4 of 1979".

1 TITLE I—PRICE SUPPORT FOR WHEAT, FEED
2 GRAINS, AND UPLAND COTTON; GRAIN RE-
3 LEASE PRICES

4 VARIABLE TARGET PRICE PROGRAM FOR 1980 AND 1981
5 CROPS

6 SEC. 101. Effective only with respect to the 1980 and
7 1981 crops of wheat, feed grains, and upland cotton, title I of
8 the Agricultural Act of 1949, as amended (7 U.S.C.
9 1421–1445g), is amended by adding at the end thereof a new
10 section as follows:

11 “1980 AND 1981 WHEAT, FEED GRAIN, AND UPLAND
12 COTTON TARGET PRICES

13 “SEC. 113. Notwithstanding any other provision of this
14 Act, the Secretary shall formulate, announce, and put into
15 operation for each of the 1980 and 1981 crops of wheat, feed
16 grains, and upland cotton for which a set-aside program is in
17 effect a program under which the level of the established
18 price to be paid to any producer shall be based on the amount
19 of cropland that such producer voluntarily elects to set aside
20 from production. The higher the established price the pro-
21 ducer elects to receive, the greater the amount of cropland on
22 the farm the producer must set aside from production in order
23 to qualify for such higher established price. If a producer
24 elects to receive the maximum established price, which shall
25 be equal to 100 per centum of the parity price for the com-

1 modity concerned, the producer must set aside from produc-
2 tion a percentage of the cropland on the farm equal to the
3 highest set-aside percentage prescribed by the Secretary
4 under the set-aside program.”.

5 **GRAIN RELEASE PRICES**

6 **SEC. 102. (a) Effective only for the 1980 and 1981**
7 **crops of wheat and feed grains—**

8 (1) Section 110(b)(5) of the Agricultural Act of
9 1949, as amended (7 U.S.C. 1445e(b)(5)), is amended
10 by striking out “wheat has attained a specified level
11 which is not less than 140 per centum nor more than
12 160 per centum of the then current level of price sup-
13 port for wheat or such appropriate level for feed
14 grains, as determined by the Secretary” and inserting
15 in lieu thereof “the commodity has attained a specified
16 level which is not less than 90 per centum of the cur-
17 rent parity price for such commodity”.

18 (2) Section 110(b)(6) of the Agricultural Act of
19 1949, as amended (7 U.S.C. 1445e(b)(6)), is amended
20 by striking out “is not less than 175 per centum of the
21 then current level of price support for wheat or such
22 appropriate level for feed grains as determined by the
23 Secretary under this Act” and inserting in lieu thereof
24 “is not less than 105 per centum of the current parity
25 price for such commodity”.

(b) Effective only for the 1980 and 1981 crops of wheat and feed grains, section 110(d) of the Agricultural Act of 1949, as amended (7 U.S.C. 1445e(d)), is amended by striking out "150 per centum of the then current level of price support for such commodity" and inserting in lieu thereof "90 per centum of the parity price for such commodity".

COMMODITY CREDIT CORPORATION SALES PRICE

RESTRICTIONS FOR WHEAT AND FEED GRAINS

SEC. 103. Effective only for the marketing years for the 1980 and 1981 crops of wheat and feed grains, the language following the third colon in the third sentence of section 407 of the Agricultural Act of 1949, as amended by section 408 of the Food and Agriculture Act of 1977 (7 U.S.C. 1427), is amended by striking out "115 per centum of the current national average loan rate" and inserting in lieu thereof "90 per centum of the current parity price".

TITLE II—MILK PRICE SUPPORT

SEC. 201. The second sentence of subsection (c) of section 201 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446(c)), is amended by striking out "March 31, 1979" and inserting in lieu thereof "March 31, 1981".

TITLE III—SUGAR PRICE SUPPORT

SEC. 301. Effective only with respect to the 1979 through 1981 crops of sugar beets and sugarcane, section

1 201 of the Agricultural Act of 1949, as amended (7 U.S.C.
2 1446), is amended—

3 (1) by striking out in the first sentence “honey,
4 and milk” and inserting in lieu thereof the following:

5 “honey, milk, sugar beets, and sugarcane”; and

6 (2) by adding at the end thereof a new subsection
7 (g) as follows:

8 “(g)(1) The price of the 1979 through 1981 crops of
9 sugar beets and sugarcane, respectively, shall be supported
10 through loans or purchases with respect to the processed
11 products thereof at a level not in excess of 70 per centum nor
12 less than 57 per centum of the parity price therefor, except
13 that in no event may the support level be less than 16.5
14 cents per pound raw sugar equivalent. In carrying out the
15 price support program authorized by this subsection, the Sec-
16 retary shall establish minimum wage rates for agricultural
17 employees engaged in the production of sugar.

18 “(2) Notwithstanding any other provision of law, the
19 Secretary may suspend the operation of the price support
20 program authorized by this subsection whenever the Secre-
21 tary determines that an international sugar agreement is in
22 effect which assures the maintenance in the United States of
23 a price for sugar not less than 16.5 cents per pound raw
24 sugar equivalent.”.

1 **TITLE IV—FOOD STAMP PROGRAM**

2 **SEC. 401.** The first sentence of section 18(a) of the
3 Food Stamp Act of 1977 (7 U.S.C. 2027) is amended to read
4 as follows: "To carry out the provisions of this Act, there are
5 hereby authorized to be appropriated such sums as may be
6 necessary for the fiscal years ending September 30, 1980,
7 and September 30, 1981."

8 **SEC. 402.** The Secretary shall conduct a study of the
9 food stamp program. The Secretary shall report the results of
10 such study to Congress by July 1, 1979, with recommenda-
11 tions for legislative changes that will—

12 (1) reduce error rates by increasing the accuracy
13 of eligibility determinations;

14 (2) provide more effective monitoring and control
15 of food coupon redemption; and

16 (3) provide more timely investigation and resolu-
17 tion of suspected violations.

18 The Secretary may include in the report any other recom-
19 mendations the Secretary deems desirable.

20 **TITLE V—PUBLIC LAW 480**

21 **SEC. 501.** The Agricultural Trade Development and
22 Assistance Act of 1954 is amended by adding at the end
23 thereof a new section 406 as follows:

24 "SEC. 406. (a) In order more adequately to meet the
25 food requirements of hungry and malnourished people in the

1 developing countries, a minimum aggregate quantity of seven
2 million metric tons of United States farm commodities shall
3 be exported under titles I, II, and III of this Act during each
4 of the following fiscal years: fiscal year 1980, fiscal year
5 1981, and fiscal year 1982. This aggregate quantity require-
6 ment shall not affect the title II minimum quantities required
7 under section 201(b) of this Act, since those minimums shall
8 be a part of the total minimum requirement for all titles.

9 “(b) The export of an aggregate quantity of seven mil-
10 lion metric tons of each such fiscal year under titles I, II, and
11 III shall be mandatory unless (1) export supplies are not
12 available as determined under section 401(a) of this Act, or
13 (2) food needs of developing countries do not merit such
14 quantity as gaged by (A) a lack of request for food assistance
15 by the developing countries, or (B) a determination by the
16 Food and Agriculture Organization of the United Nations
17 that unfilled food requirements of the developing nations are
18 less than seven million metric tons during such fiscal year.

19 “(c) Should less than the minimum quantities required
20 by this section be exported because of the criteria in subsec-
21 tion (b) of this section, the President shall report to the ap-
22 propriate committees of Congress the specific reasons for
23 such shortfall.”.

1 TITLE VI—NATIONAL AGRICULTURAL PRODUC-
2 TION COST AND STATISTICAL STANDARDS
3 BOARD

4 ESTABLISHMENT OF BOARD; COMPOSITION

5 SEC. 601. (a) There is hereby established an advisory
6 board to be known as the National Agricultural Production
7 Cost and Statistical Standards Board (hereinafter in this title
8 referred to as the "Board").

9 The Board shall be composed of sixteen members ap-
10 pointed by the Secretary of Agriculture (hereinafter in this
11 title referred to as the "Secretary").

12 (c)(1) The terms of the members first taking office shall
13 expire (as designated by the Secretary at the time of appoint-
14 ment) as follows: four at the end of one year, four at the end
15 of two years, four at the end of three years, and four at the
16 end of four years. Thereafter terms of all members shall be
17 four years, except that the term of any person appointed to
18 fill a vacancy on the board shall be appointed only for the
19 unexpired term of such member's predecessor.

20 (2) The Secretary shall appoint persons to the Board
21 who are producers of one or more commodities designated as
22 feed grains, food grains, sugar crops, cotton, tobacco, live-
23 stock, or livestock products.

24 (3) Persons appointed to the Board shall have proven
25 their competence to serve on such board by having demon-

1 strated to the Secretary that they consistently manage their
2 agricultural operation with the assistance of an enterprise
3 cost system that reflects accurate costs of production for their
4 operations and that they have a high level of comprehension
5 relating to the functional aspects of such a system.

6 (4) The Secretary shall appoint at least one person to
7 the Board who, by virtue of education, experience, and train-
8 ing, has extensive knowledge of matters relating to the cost
9 of producing agricultural commodities.

10 (5) The Secretary shall designate, by and with the
11 advice and consent of the Senate, one member of the Board
12 to serve as chairman and one member to serve as vice chair-
13 man for the term of the appointment of such member.

14 (6) The Secretary shall also appoint one person to rep-
15 resent the interests of the consumers on the Board.

16 (7) No person may serve as a member of the Board for
17 more than two consecutive terms.

18 **FUNCTION OF THE BOARD**

19 **SEC. 602. (a)** It shall be the function of the Board to
20 coordinate and assist in the development and improvement of
21 cost of production and financial statistical standards that
22 relate to the production of agricultural commodities in the
23 United States. In carrying out such function, the Board
24 shall—

1 (1) counsel with the various economic agencies of
2 the Department of Agriculture, universities, and pro-
3 ducers groups for the purpose of developing adequate
4 coordinated standards among these parties for the
5 measurement of production cost components that relate
6 to the production of agricultural commodities;

7 (2) review the adequacy and accuracy of cost of
8 production formulas, including the information relied
9 upon in arriving at such formulas that have been devel-
10 oped by the Department of Agriculture for the purpose
11 of determining the cost of producing the various agri-
12 cultural commodities, and counsel with those involved
13 in the developiment of such formulas and make recom-
14 mendations for improvements in such formulas;

15 (3) review the adequacy of the parity formula,
16 counsel with those involved in the analysis of the data
17 used in such formula, and make recommendations for
18 improvements in the formula and in related areas that
19 may require improvement;

20 (4) review the adequacy of agricultural financial
21 statistics that are being compiled by the Department of
22 Agriculture, counsel with those involved in these com-
23 pilations, and make recommendations that the Board
24 believes will improve the accuracy of such statistics;

1 (5) advise the Secretary whether the cost of pro-
2 duction formulas used by the Department of Agricul-
3 ture in connection with the administration of its price
4 support programs are fair and accurate and recommend
5 to the Secretary how such formulas might be improved
6 including, when necessary, the submission of findings
7 on actual costs of production; and

8 (6) advise the Secretary, at the Secretary's re-
9 quest, on such other matters that may relate to price
10 targeting, price support operations, or the disposition of
11 surplus agricultural commodities.

12 (b) The Secretary shall report to the Board on the dispo-
13 sition of its recommendations, including reasons for not im-
14 plementing the recommendations of the Board.

15 (c) The Board shall submit annually to the Committee
16 on Agriculture, Nutrition, and Forestry of the Senate and the
17 Committee on Agriculture of the House of Representatives a
18 report discussing the activities of the Board during the pre-
19 ceding year, including any findings or recommendations made
20 to the Secretary with respect to its duties set forth in this
21 title. The Board shall include in each such report a list of the
22 recommendations made to the Secretary and the disposition
23 made by the Secretary of such recommendations.

1 (d) The Board shall meet at least twice annually or
2 more often if such meetings are necessary to meet the pur-
3 poses of this Act.

4 **OFFICE SPACE, EQUIPMENT; STAFF**

5 **SEC. 603.** The Secretary shall provide the Board with
6 such office space, equipment, and staff as may be necessary
7 for the Board to perform its functions under this Act.

8 **COMPENSATION; TRAVEL EXPENSES**

9 **SEC. 604.** No member of the Board may receive any
10 compensation for such member's services as a Board
11 member, but may be paid travel expenses, including per diem
12 in lieu of subsistence, as provided in the regulations issued
13 under section 7 of the Federal Advisory Committee Act.

14 **EXPIRATION OF BOARD**

15 **SEC. 605.** The Board and the authority provided under
16 this title shall expire December 31, 1983.

96TH CONGRESS
1ST SESSION

S. 962

To amend the Agricultural Trade Development and Assistance Act of 1954 to encourage self-reliance in developing countries.

IN THE SENATE OF THE UNITED STATES

APRIL 10, 1979

Mr. MCGOVERN (for himself, Mr. DOLE, and Mr. MELCHER) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To amend the Agricultural Trade Development and Assistance Act of 1954 to encourage self-reliance in developing countries.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the "Self-Reliant
4 Development and International Food Assistance Reform Act
5 of 1979".

1 **DETERMINATION OF COMMODITY NEEDS AND PROGRAM**2 **BENEFICIARIES IN EACH COUNTRY**

3 **SEC. 2.** Section 404 of the Agricultural Trade Develop-
4 ment and Assistance Act of 1954 is amended to read as
5 follows:

6 “**SEC. 404.** (a) The programs of assistance undertaken
7 pursuant to this Act, and the types and quantities of agricul-
8 tural commodities to be made available, shall be directed
9 toward the attainment of humanitarian and developmental
10 objectives. To the maximum extent possible, either (a) the
11 commodities themselves will be used to improve the econom-
12 ic and nutritional status of the poor through effective and
13 sustainable programs, or (b) any proceeds generated from the
14 sales of agricultural commodities will be used to promote
15 policies and programs that benefit the poor.

16 “(b) Country assessments shall be carried out whenever
17 necessary in order to determine the types and quantities of
18 agricultural commodities needed; the conditions under which
19 commodities should be provided and distributed; the relation-
20 ship between United States food assistance, other develop-
21 ment resources, and the development plans of a country; the
22 institutional arrangements for administering and evaluating
23 programs utilizing food assistance; the most suitable timing
24 for commodity deliveries; and the rate at which food assist-

3 **AVAILABILITY OF COMMODITIES FOR DEVELOPMENT**
4 **PURPOSES**

9 INCENTIVES FOR ENTERING INTO FOOD FOR
10 DEVELOPMENT PROGRAMS

13 (1) in the first sentence, by inserting “, or the
14 dollar sales value of the commodities themselves,” im-
15 mediately after “the local sale of such commodities”;
16 and

20 (b) Section 305 of such Act is amended—

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1 section 304(a), shall be deemed to be payment of all
2 installments of principal and any interest payable
3 thereon for the commodities purchased by the partici-
4 pating country for purposes of this title.”; and

5 (2) by adding the following new subsection:

6 “(c) When agricultural commodities made available
7 under this title are used by the participating country in devel-
8 opment projects in accordance with the applicable food for
9 development program, the dollar sales value of such commod-
10 ities shall be applied, in accordance with subsections (a) and
11 (b) of this section, against repayment obligations of that coun-
12 try under this Act, with the value of the commodities so used
13 being deemed to be disbursements made at the time of such
14 use.”.

15 INCREASING DEMAND FOR FOOD AND ENCOURAGING
16 LOCAL FOOD PRODUCTION

17 SEC. 5. (a) Section 103(f) of the Agricultural Trade De-
18 velopment and Assistance Act of 1954 is amended to read as
19 follows:

20 “(f) give special consideration to increasing effec-
21 tive demand for food within purchasing countries by
22 supporting a variety of measures to stimulate equitable
23 economic growth, keeping in mind the potential for de-
24 veloping new and expanding existing markets for local
25 foodstuffs, as well as United States agricultural com-

1 modities, and the need to prevent post-harvest losses
2 and improve storage, handling, and distribution facili-
3 ties;”.

4 (b) Section 103(n) of such Act is amended by inserting
5 “or interfere with local food production and marketing in the
6 purchasing country, or” immediately after “displace”.

7 (c) Section 202(a) of such Act is amended by amending
8 the last sentence to read as follows: “The President shall
9 take reasonable precaution to assure that the distribution of
10 commodities furnished under this title, both in normal times
11 and in emergency situations, will not displace or interfere
12 with local food production and marketing in the recipient
13 country.”.

14 **ROLE OF INDIGENOUS INSTITUTIONS AND WORKERS**

15 **SEC. 6.** Section 202(b)(2) of the Agricultural Trade De-
16 velopment and Assistance Act of 1954 is amended to read as
17 follows:

18 “(2) In order to assure that food commodities made
19 available under this title are used effectively and in the areas
20 of greatest need, entities through which such commodities
21 are distributed shall be encouraged to work with indigenous
22 institutions and employ indigenous workers, to the extent
23 feasible, to assess nutritional and other needs of beneficiary
24 groups, help these groups design and carry out their own
25 projects, recommend ways of making food assistance availa-

1 ble which are most appropriate for each local setting, super-
2 vise food distribution, and regularly evaluate the effectiveness
3 of each project.”.

4 **ALLEVIATING THE CAUSES OF THE NEED FOR TITLE II**

5 **ASSISTANCE**

6 **SEC. 7.** Section 206 is amended by deleting “(3)” and
7 substituting:

8 “(3) such agreement provides that the currencies
9 will be used for alleviating the causes of the need for
10 the assistance in accordance with the purposes and
11 policies specified in section 103 of the Foreign Assist-
12 ance Act of 1961 as amended, and for programs and
13 projects to increase the effectiveness of food distribu-
14 tion and increase the availability of food commodities
15 provided under this title to the neediest individuals in
16 recipient countries.”.

17 **USING FOOD AID AND RELATED RESOURCES TO**

18 **ENCOURAGE FOOD SECURITY**

19 **SEC. 8.** Section 103 of the Foreign Assistance Act of
20 1961 as amended is amended by adding at the end thereof
21 the following new subsection:

22 “(f) The Congress finds that the efforts of developing
23 countries to enhance their national food security deserves en-
24 couragement as a matter of United States development as-
25 sistance policy. Measures complementary to assistance for

1 expanding food production in developing countries are needed
2 to help assure that food becomes increasingly available on a
3 regular basis to the poor majority in such countries. There-
4 fore, United States bilateral assistance under this Act and the
5 Agriculture and Trade Assistance Act of 1954, and United
6 States participation in multilateral institutions, shall empha-
7 size policies and programs which assist developing countries
8 to increase their national food security by improving their
9 food policies and management and by strengthening national
10 food reserves, with particular concern for the needs of the
11 poor, through measures encouraging domestic production,
12 building national food reserves, expanding available storage
13 facilities, reducing postharvest food losses, and improving
14 food distribution.”.

96TH CONGRESS
1ST SESSION

S. 1053

To amend the Agricultural Trade Development and Assistance Act of 1954 to increase the uses and effect of United States food aid.

IN THE SENATE OF THE UNITED STATES

MAY 1 (legislative day, APRIL 9), 1979

Mr. STONE (for himself and Mr. LUGAR) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To amend the Agricultural Trade Development and Assistance Act of 1954 to increase the uses and effect of United States food aid.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Food Assistance Reform
4 Act of 1979".

5 PUBLIC LAW 480 CREDIT SALES TERMS

6 SEC. 2. Section 106(a) of the Agricultural Trade Devel-
7 opment and Assistance Act of 1954 is amended by inserting

1 “(1)” after the subsection designation and adding at the end
2 thereof a new paragraph (2) as follows:

3 “(2) Notwithstanding any other provision of this subsec-
4 tion, in order to provide an orderly transition from conces-
5 sional sales under this title to commercial credit sales and
6 encourage market development for American agricultural
7 commodities, the President may modify the length of the
8 credit terms under this Act to the extent the Secretary of
9 Agriculture determines is consistent with the strength of the
10 recipient country’s economy.”.

11 **COMMODITY DISTRIBUTION UNDER TITLE II**

12 **SEC. 3.** Section 202(a) of the Agricultural Trade Devel-
13 opment and Assistance Act of 1954 is amended by adding at
14 the end thereof a new sentence as follows: “The President
15 shall take reasonable precaution to assure that the distribu-
16 tion of commodities furnished under this title, both in normal
17 times and in emergency situations, will not displace or inter-
18 fere with local food production and marketing in the recipient
19 country.”.

20 **ROLE OF INDIGENOUS INSTITUTIONS AND WORKERS**

21 **SEC. 4.** Section 202(b)(2) of the Agricultural Trade De-
22 velopment and Assistance Act of 1954 is amended to read as
23 follows:

24 “(2) In order to assure that food commodities made
25 available under this title are used effectively and in the areas

1 of greatest need, entities through which such commodities
2 are distributed shall (A) be encouraged to work with indig-
3 enous institutions and employ indigenous workers, to the
4 extent feasible, to assess nutritional and other needs of bene-
5 ficiary groups, (B) help these groups design and carry out
6 projects, (C) recommend ways of making food assistance
7 available that are most appropriate for each local setting, (D)
8 supervise food distribution, and (E) regularly evaluate the
9 effectiveness of each project.”.

10 ALLEVIATING THE CAUSES OF THE NEED FOR TITLE II
11 ASSISTANCE

12 SEC. 5. Section 206 of the Agricultural Trade Develop-
13 ment and Assistance Act of 1954 is amended by amending
14 clause (3) to read as follows: “(3) such agreement provides
15 that the currencies will be used for (A) alleviating the causes
16 of the need for the assistance in accordance with the pur-
17 poses and policies specified in section 103 of the Foreign
18 Assistance Act of 1961 and (B) programs and projects to
19 increase the effectiveness of food distribution and increase the
20 availability of food commodities provided under this title to
21 the neediest individuals in recipient countries.”.

22 INCENTIVES FOR ENTERING INTO FOOD FOR
23 DEVELOPMENT PROGRAMS

24 SEC. 6. Section 301(a) of the Agricultural Trade Devel-
25 opment and Assistance Act of 1954 is amended by—

1 (1) inserting in the first sentence “, or the dollar
2 sales value of the commodities themselves,” immedi-
3 ately after “the local sale of such commodities”; and

4 (2) inserting in the second sentence “, or the use
5 of the commodities themselves,” immediately after
6 “participating country”.

7 PARTICIPATION OF AMERICAN AGRICULTURE IN FOOD FOR
8 DEVELOPMENT PROGRAMS

9 SEC. 7. Section 302(c) of the Agricultural Trade Devel-
10 opment and Assistance Act of 1954 is amended by adding at
11 the end thereof new paragraphs (4) and (5) as follows:

12 “(4) In developing and carrying out Food for Develop-
13 ment projects under this title, priority shall be given to pro-
14 grams that use the capability and experience of American
15 agriculture in furthering economic development and increased
16 food production. The President may invite farm organiza-
17 tions, cooperatives, marketing, and other private enterprises
18 with relevant practical experience in agriculture, rural devel-
19 opment, food production, and related areas to participate in
20 designing and implementing these projects.

21 “(5) The President shall designate the Department of
22 Agriculture as the lead agency in administering the Food for
23 Development Program under this title.”.

1 **REPORTS AND RECORDS UNDER TITLE III**

2 **SEC. 8.** Section 303(a) of the Agricultural Trade Devel-
3 opment and Assistance Act of 1954 is amended by striking
4 out in the second sentence "for each year such funds are to
5 be disbursed".

6 **SEC. 9.** Section 305 of the Agricultural Trade Develop-
7 ment and Assistance Act of 1954 is amended by—

8 (1) adding at the end of subsection (a) a new sen-
9 tence as follows: "Disbursements of funds from the
10 special account in an amount equivalent to the dollar
11 value of the credit furnished by the Commodity Credit
12 Corporation under section 304(a) of this Act shall be
13 deemed to be payment of all installments of principal
14 and interest payable thereon for the commodities pur-
15 chased by the participating country for purposes of this
16 title."; and

17 (2) adding at the end thereof a new subsection (c)
18 as follows:

19 "(c) When agricultural commodities made available
20 under this title are used by the participating country in devel-
21 opment projects in accordance with the applicable Food for
22 Development Program, the dollar sales value of such com-
23 modities shall be applied, in accordance with subsections (a)
24 and (b) of this section, against repayment obligations of that
25 country under this Act, with the value of the commodities so

1 used being deemed to be disbursements made at the time of
2 such use.”.

3 SEC. 10. Section 306 of the Agricultural Trade Devel-
4 opment and Assistance Act of 1954 is amended by inserting
5 “a detailed description of how the commodities were used,”
6 immediately after “projected targets,”.

7 SEC. 11. Section 307 of the Agricultural Trade Devel-
8 opment and Assistance Act of 1954 is amended by amending
9 subsection (a) to read as follows:

10 “(a) Each year the President shall review the disposi-
11 tion of all agreements providing for the use of (A) the pro-
12 ceeds from the sale of agricultural commodities or (B) the
13 value of agricultural commodities under this title for which
14 such funds or commodities were not fully disbursed the pre-
15 ceding year. The results of such review shall be included in
16 the annual report to Congress required under section 408(a)
17 of this Act.”.

18 STUDY TO ASSESS PROGRAM EFFECTIVENESS

19 SEC. 12. Section 408(d) of the Agricultural Trade De-
20 velopment and Assistance Act of 1954, is amended by adding
21 at the end thereof a new paragraph (4) as follows:

22 “(4) The Secretary of Agriculture shall, within one year
23 of the date of enactment of the Food Assistance Reform Act
24 of 1979, conduct and transmit to Congress a study that
25 will—

1 “(A) assess the nutritional effect and cost effec-
2 tiveness of the program conducted under title II of this
3 Act, developing data as needed on the benefitting re-
4 cipients and the relative merits of different food com-
5 modities, including processed and blended foods; and

6 “(B) assess the effectiveness of the program con-
7 ducted under title I of this Act in terms of its effect on
8 economic development, its usefulness in developing
9 markets for American agricultural commodities, the
10 avoidance of commodity deliveries that disrupt local re-
11 cipient markets, and the adequacy of storage facilities
12 for local food production and food aid.”.

Senator STONE. This country has been generous in its assistance and I expect it will continue to be so where there is a genuine need, but we also want to encourage development without stifling local production.

I have indicated before that I am hopeful that we can later hold a number of oversight hearings on the program to examine all aspects of Public Law 480.

First we shall hear from the administration witnesses. The first panel will be Dr. Kelly Harrison, General Sales Manager for the U.S. Department of Agriculture; Fred Welz, Assistant Sales Manager for Public Law 480, USDA; and Robert Chase, the Deputy Coordinator, Office of Food for Peace, Agency for International Development.

STATEMENTS OF A PANEL CONSISTING OF: DR. KELLY HARRISON, GENERAL SALES MANAGER, U.S. DEPARTMENT OF AGRICULTURE, AND FRED WELZ, ASSISTANT SALES MANAGER FOR PUBLIC LAW 480, USDA; KATHLEEN S. BITTERMAN, COORDINATOR, AND ROBERT CHASE, DEPUTY COORDINATOR, OFFICE OF FOOD FOR PEACE, AGENCY FOR INTERNATIONAL DEVELOPMENT

Senator STONE. And may I ask, Mr. Chase, do you expect Kay Bitterman or not?

Mr. CHASE. I am still hopeful, Mr. Chairman, that she will be here.

Senator STONE. She is scheduled. If she comes, we will include Miss Kay Bitterman, the Coordinator of the Office of Food for Peace, AID, in the panel.

Dr. Harrison, we welcome you here today and ask you to proceed.

Dr. HARRISON. I apologize for being a little late. As usual, the Senator is right on time in getting started. I have a statement that is prepared, but it is not too long. Maybe it would be good if I read this, Senator Stone. You would, of course, have it for the record. Copies are available.

Senator STONE. Go right ahead.

Dr. HARRISON. First, I would like to thank the chairman for this opportunity to appear before the subcommittee to comment on the recently introduced legislation regarding Public Law 480. As you are aware, this administration has taken an active role in the area of U.S. overseas development efforts and, in particular, in supporting actions designed to increase the developmental impact of the Public Law 480 program.

Before commenting on the specific provisions of proposed legislation, I would like to discuss briefly the three titles of Public Law 480 to clarify and emphasize the differences between them as elaborated in a paper distributed to the committee yesterday.

Title I is a concessional sales program designed to increase overall food supplies in food deficit countries while at the same time providing development resources for the local sale of these commodities which the recipient country utilizes to undertake measures to enhance development. Title I has been a particularly useful program in accomplishing the multiple objectives of Public Law 480, including economic and agricultural development in the recip-

ient country, complementary market development for U.S. agricultural commodities, meeting overall food-deficit situations in LDC's and in promoting the foreign policy of the U.S. Government.

Under title II, food commodities and associated transportation costs are donated to recipient countries. These commodities are distributed through the world food program and U.S. voluntary agencies such as CARE and Catholic Relief Services. Title II programs are designed to provide commodities directly to specific nutritionally vulnerable groups in recipient countries through maternal child health clinics, school lunch programs, and food for work programs. It is the principal U.S. program for responding to emergency food relief needs as well.

Under title III, the poorest countries are provided the additional incentives of multiyear commodity commitments and loan forgiveness under title I agreements to undertake additional development initiatives, particularly in the areas of equitable agricultural and rural development. The application of the debt offset provision for undertaking additional development projects or adopting needed policy reforms which encourage increased agricultural production and improve the lives of the poor should not be equated with the direct donation aspect of title II.

We are making a concerted effort to increase the developmental impact of Public Law 480 under all three of these titles. We have seen from experience that the more highly developed a country becomes the greater the opportunities to increase our commercial agricultural exports to that country. I would like to emphasize that. I think that is especially important. Furthermore, providing assistance to developing countries for the development of agricultural processing facilities and storage and marketing facilities creates additional market opportunities for U.S. farm products. For example, we are considering supplying wheat to Sri Lanka under title I in fiscal year 1980. As you are aware, we have been supplying flour to that country under title I. However, Sri Lanka is in the process of building a flour mill and eventually expects to replace current flour imports with wheat imports. We are analyzing the possibilities of utilizing the title I program to provide wheat for the initial operations of the Sri Lanka mill. We are reviewing specific economic development activities such as storage and distribution facilities that have positive impact on local employment generation and agricultural development that could be financed with title I local currency proceeds. I believe this new emphasis on medium- and long-term development is the most effective approach both to raising incomes of the poor majority in developing countries and to expanding market opportunities for U.S. agricultural exports.

I just might add here a note that recently in an agricultural attaché conference, I thought there was a very significant statement—

Senator STONE. You mean in agricultural consular conferences?
Dr. HARRISON. Yes, sir. [Laughter.]

In Hong Kong, the chairman of one of the cooperator groups made the comment that he is now convinced that the major limitation in many countries to expanded agricultural exports is the purchasing power of the people in that country and that he believes that farmers have a very vital interest in agricultural devel-

opment in the LDC's and in the advanced developing countries. So I think there is a recognition of this very principle among our farmers.

Much of the new legislation before this committee is designed to strengthen the developmental impact of Public Law 480, particularly those efforts designed to foster a greater self-reliance in recipient countries, to facilitate the implementation of food for development programs, to stimulate local production and increase the effective demand for agricultural products and to promote the establishment of viable infrastructure for the agricultural sector. The Department strongly supports these broad goals.

Although S. 1053 contains a few provisions which we are unable to support, with these exceptions, we believe S. 1053 would strengthen Public Law 480 more so than S. 962, although there are similarities, of course, between the two bills.

Those specific provisions in the proposed bills which allow the value of commodities used in title III, food for development programs to qualify for debt-forgiveness purposes are supported by the Department of Agriculture. It is likely that programs will be designed and proposed which would entail the establishment of national food security schemes. These programs would be greatly facilitated if the value of the commodities used could be counted for offset purposes. These provisions are also likely to facilitate implementation of other types of projects which utilize the commodities directly rather than selling the commodities for local currency generation.

As you know, in these first efforts to implement title III programs, we have discovered some unanticipated legal problems in providing complete loan forgiveness even if a recipient country had carried out every requirement of the program. We, therefore, commend the efforts of current legislative proposals to correct this situation. We would like to suggest that the language in section 9 of S. 1053 is preferable to that contained in section 4(b)(1) of S. 962. S. 962 has the potential for establishing conflicting procedures for determining the amount of credit due to the recipient countries in cases where improper or incomplete disbursements are made and where disbursements are to be applied against other Public Law 480 agreement debts under section 305(b) of the act.

We believe U.S. agriculture can play an important role in solving long term world food problems. Regarding the use of American agricultural capability and experience in the development of food for development programs, we are already attempting to do this wherever it is appropriate. It should be remembered that food for development programs may require specific expertise that varies greatly with the particular program from country to country. We would hope that the ability to call upon American agricultural expertise, whether it is in the public sector, academic or in the private sector, would not be restricted by section 4 of S. 1053 which would require giving priority to the private sector no matter what the particular expertise required or the availability of this expertise in the private sector. We have already made use of agricultural exports from U.S. universities, the Department of Agriculture and private agricultural consultant firms on short term contract basis

in the development of title III programs and we expect to continue this practice in the future.

In keeping with our belief that USDA should play a strong role in the implementation of title III, we have established several professional positions within the Office of the General Sales Manager specifically to coordinate title III program development and review. Furthermore, we have earmarked funds in OGSM's budget for the purpose of expanding the pool of resources available to the Department by contracting technical agricultural consultants as needed to assure effective title III program development and implementation. However, we are unable to support section 7 of S. 1053 which would designate the Department of Agriculture as the lead agency in administering title III. The President recently handed down a decision to maintain the current joint responsibility for title III which was reached after extensive review within the executive branch.

I would like to close by mentioning that the Department will be submitting food security reserve legislation for consideration by Congress. This replaces the international emergency wheat reserve legislation we submitted last fall which was not acted upon by Congress. Our current proposal will assure adequate supplies to food aid commitments by the United States, especially our pledge of 4.47 million tons of cereals to the food aid convention which we hope will be finalized this summer. This legislation will help assure that the United States is a reliable food aid supplier even in times of tight supplies in the United States. We hope other food aid donors will undertake similar actions.

I would be happy to answer any specific questions which you might have. The Department has also prepared a legislative report on S. 962 in response to the committee's request which we will be forwarding shortly after the appropriate clearance is obtained.

Senator STONE. Thank you, Dr. Harrison. I think I will defer my questions until after the panel has made its remarks.

We welcome Kay Bitterman.

Ms. BITTERMAN. I apologize, Mr. Chairman, for being late.

Senator STONE. Ms. Bitterman go ahead.

Ms. BITTERMAN. I appreciate the opportunity to appear before the Subcommittee on Foreign Agricultural Policy to discuss the proposed amendments to strengthen the food-for-peace legislation. This year marks the 25th anniversary of the food-for-peace program. It has always enjoyed wide bipartisan support by the Congress and the American people. I also believe that the administration of this multipurpose legislation is an outstanding example of cooperation among executive branch agencies. The long-term partnership of U.S. voluntary agencies in carrying out people-to-people food donation programs for the needy is also particularly noteworthy.

In the interest of saving time, I would comment on a few of the more significant provisions of the legislation before the committee. Both S. 1053 and S. 962 contain technical amendments which will offer somewhat greater incentives to low-income countries to participate in the title III food for development program. I think Dr. Harrison has explained those so there is no need for me to go into them.

We do not believe that the proposed amendment which would give priority to title III programs developed and carried out by using American expertise is necessary or, in fact, desirable. Under title III, participating countries must formulate multiyear development proposals with U.S. assistance if requested. Obviously, U.S. missions, including the agricultural attachés, work closely with the countries to develop proposals. If additional technical help is needed, existing authority already provides for securing the needed services from U.S. agencies or other resources, including private organizations. But we do not believe that title III programs would be successful if so much dependence were placed on American institutions to develop and carry them out. The countries themselves must be strongly motivated to undertake needed policy reforms and/or increase their investments in programs designed to benefit the poor. The countries must mobilize resources, principally their own, and secondarily those available from the United States and other aid donors, to mount a vigorous attack upon the problems which underlie widespread hunger and malnutrition.

I join with Dr. Harrison in urging this committee to reject the proposed mandate that the Department of Agriculture be designated as the lead agency in administering title III. This would be contrary to the President's decision that title III continued to be a collaborative/cooperative effort principally between the Department of Agriculture and AID. We have distributed or are willing to distribute to the members of the subcommittee a brief description of current procedures for development, review, and approval of title III programs.

The Department of Agriculture, including its agricultural attachés where they are available, play an active role in this process. But the main work must be carried out in the developing countries and the AID missions must assure that title III, as well as other U.S. development assistance are used to maximize equitable development.

I should like to take a final moment to comment on the proposed amendments to section 206 of title II which is included in S. 1053 and S. 962. The current language of section 206 is applicable only to nonemergency Government-to-Government programs. In those instances in which sales of donated foods are authorized, the sales proceeds may be used only to increase the effectiveness of title II programs. The proposed amendment would also permit the use of sales proceeds to alleviate the causes of the need for title II assistance. If the amendment is approved, we intend to use this authority on a selective basis to help poor disaster-prone countries, particularly Sahelian Africa, to establish food security or price stabilization or other small programs which should help to alleviate the need for emergency assistance. The main thrust of the title II program, other than disaster relief, will continue to be on maternal/child health, other child feeding and food-for-work programs sponsored by U.S. voluntary agencies and the World Food Program, to which over 80 percent of title II food donations must be allocated.

Thank you, Mr. Chairman.

Senator STONE. Thank you, Ms. Bitterman.

Mr. Fred Welz?

Mr. WELZ. Mr. Chairman, I believe that Dr. Harrison's statement will be adequate to cover both of our views as far as the Department is concerned.

Senator STONE. That makes you the champ, Mr. Welz, for the shortest statement of all.

Mr. Chase?

Mr. CHASE. Can I make it shorter and say I agree with Mr. Welz. [Laughter.]

Senator STONE. I would like the staff to take note that we want to ask Mr. Chase and Mr. Welz to be our main witnesses at the next hearing. [Laughter.]

Let me ask Dr. Harrison first. Can you describe how decisions are now made as to what credit terms are offered under title I? And, for an example, how do you rationalize providing the same most concessional credit terms for Bangladesh and Korea, the most concessional terms of 10 years grace with 2-percent interest, repayment over 30 years with 3-percent interest during the repayment period?

Dr. HARRISON. Since Fred was the champ on the previous round, I think I will turn to him and ask him to respond.

Senator STONE. He deserves better than that. [Laughter.]

Mr. WELZ. OK. I guess I ought to respond.

Ms. BITTERMAN. Fred, I do happen to have the terms, the computer runoff.

Mr. WELZ. I think I ought to start out and then Kay can give the terms. The general question that you raised deals with, of course, a number of points that need to be considered, such as, terms of financial conditions, per capita income, changing exchange rates and rates of inflation. These various factors have to be considered in making a determination on the concessional nature of the credit terms to be given to a country.

In the specific case that you cited which does point out or could point out a discrepancy that one might ask about—Korea versus Bangladesh on the same terms—the Korean situation is somewhat unique in that there is a Kennedy agreement that, I think, a number of people here are aware of, that was signed a number of years ago. The Kennedy agreement is a dollar commitment between the United States and the Government of Korea to provide a Public Law 480 program at certain dollar levels with a certain commodity mix. Until such time that we fulfill the dollar commitment, which we are estimating will be completed by the end of fiscal year 1981, if we can continue to program at a certain dollar level, we are obliged to maintain the general terms of the agreement.

It is because of the Kennedy agreement that certain terms of the title I agreement were put in concrete, so to speak, and kept as part of the overall commitment. So in this case, the discrepancy is caused by those peculiar circumstances of the agreement.

Senator STONE. Any others?

Mr. WELZ. Not that I am aware of. That is probably the only one that really stands out in a glaring sense.

Senator STONE. Let me just reword this question and have you answer both. In other words, it is quite clear that Bangladesh is entitled to the most concessional credit terms. It is quite a bit less

clear that a country as prosperous and moving ahead as quickly as South Korea, one of the true economic miracles in the world, is entitled to those terms.

But if there is a specific agreement, that would explain it. So my supplemental question to that is are there any other economic miracle-type countries getting these concessional credit terms.

Ms. BITTERMAN. I do not know of any, sir, but I did want to supplement what Fred Welz said on Korea.

Senator STONE. Go right ahead.

Ms. BITTERMAN. It is true that maturity is the same for Bangladesh and Korea, that is 40 years. However, other components of the terms are different. For Korea the terms are hardened by the requirement for a large downpayment. We also require them to pay 35 percent in local currency which we use to pay for part of U.S. in-country expenses. Therefore, we finance almost 99 percent of the face value of the Bangladesh program at 2 percent during grace and 3 percent thereafter, as compared to financing 65 percent of the Korean program at a constant 3 percent interest rate. These are the technical terms for Korea as compared to Bangladesh.

Senator STONE. One of the main provisions of the House report legislation, the McGovern bill and my own bill would allow commodities themselves to be provided under title III. Now, you can only use the local currencies that are generated from the sale of the commodities. Would that proposal lead to a significant increase in the size of the title III program? And what kind of activities would you expect to develop under such a fund?

Dr. HARRISON. Perhaps I will take a stab at it, and then we will ask any of the others on the panel, too. I think my view would be, Mr. Chairman, that the provision would not necessarily lead to a great jump immediately in the size of the title III programs. But it would be a positive impetus in that direction, particularly, as we indicated in my testimony, in the direction of making it possible to use that program to help developing countries create food reserves. For instance, both the bills S. 1053 and S. 962 recognize that building food security in developing countries is extremely important.

So I think that it would give some impetus in that direction, and perhaps would tend to increase the size of the program. We would caution against expecting any huge increase. Indeed, we are not convinced that it is desirable to have a rapid increase in title III because the preparation and negotiation of good food for development proposals is time consuming.

Senator STONE. Would you describe how decisions are now made on where to start title III programs, and in particular, how does AID and USDA coordinate the inputs and what is the role of the State Department?

Dr. HARRISON. Again, I can comment, but Kay, I would like you also to answer it. Currently the initiation of a title III proposal originates out of discussions by U.S. Embassy officials with the foreign government. USAID personnel have lead responsibility for development programs in that country.

In some cases, the agricultural attaché—
Senator STONE. Consular.

Dr. HARRISON [continuing]. Consular in those countries would be involved in generating food for development ideas and discussing those ideas. The ambassador, of course, as head of the mission has final responsibility.

They would then send the proposal to Washington where USDA and AID review the proposal and work with the country team to polish it up. Eventually, a final proposal, with the plan, is approved for negotiation with the host government.

Now, if that is not correct, Kay, please correct me, or Fred or Bob.

Senator STONE. Does anyone want to supplement that answer?

Ms. BITTERMAN. I think I could supplement it a bit. When the proposal comes to Washington, it is first reviewed in accordance with the AID regional bureau project review procedures. But that review has a very active participation by the Department of Agriculture and other agencies.

And if the project survives that review, it goes to the working group of the Subcommittee on Agriculture of the Development Coordination Committee, and then finally, it goes to the subcommittee itself for review and approval.

The DCC subcommittee is chaired by the Department of Agriculture and includes representatives of the State Department, AID, Agriculture, Commerce and a number of other agencies.

Senator STONE. I have more questions, but I think I will turn to Senator Jepsen for questions, if he has any, and then I will have a few more.

Senator JEPSEN. Not at this time, Mr. Chairman.

Senator STONE. Then let me ask for the panel to comment on section 404 (a) and (b) of S. 962, if you look at 404 (a) and (b), in terms of how those subsections would affect the programming of our food commodities.

Ms. BITTERMAN. Regarding section 404 (a) and (b), I do not really think, Mr. Chairman, that they are necessary because the legislation already contains a great deal of material that is included in these proposed amendments.

It seems to me that the proposed section 404(a) which states that the program shall be directed toward the attainment of humanitarian, development, and complementary market development objectives is great, but the language now in the legislation also indicates that the program shall be directed toward the attainment of the national interest of the United States.

And while I suppose one could argue that any action taken by the Government is viewed to be in the national interest of the United States, it does not seem to me to be a very good idea to eliminate reference to the U.S. national interest.

This amendment also goes on to say that, to the maximum extent possible, the commodities will be used to improve the economic status of the poor and any proceeds generated will be used to promote policies and programs to benefit the poor. The legislation now provides that emphasis shall be given to the needy. So this amendment does not really change a great deal since the legislation already requires that it be done to the maximum extent possible.

Senator STONE. Would it not affect the programing of food commodities?

Ms. BITTERMAN. Well, I do not think so. When you get to subsection (b), talking about country assessments, we, as well as the Department of Agriculture carry out extensive assessments. However, there is no one document called an assessment—it is scattered over quite a few pieces of paper. If the section 404(b) amendment were included—calling for country assessments—I think various parties would be on our backs looking for a single document. We would have to gather together an enormous amount of paperwork which would just slow down our ability to make prompt decisions. However, we presently do assess the program including all of the various features called for in this proposal.

Senator STONE. Does the administration support section 8 of the McGovern bill which states that the efforts of developing countries to enhance their food security deserve support by the United States and would this provide any support or authority that you do not now have?

I think Dr. Harrison remarked that the administration is preparing a food security bill of its own. How would that square with section 8 of the McGovern bill, what the administration has in mind shortly to present us? First, what do you say about section 8 directly?

Mr. WELZ. Mr. Chairman, I think the general thrust in terms of the concern and need to deal with the food security issue is certainly fully supported by the Department and I believe I can also say for the administration.

On the other hand, the specific language in this section about giving emphasis in almost a priority sense across the board could, in some ways, create more of a constraint than act as a facilitator, because Public Law 480 programing for this purpose would have to be dealt with on a case-by-case basis.

Given that a country's needs and the problems, whether they be a short-term need because of a 1 year's type crop shortfall or if it is an annual need that, because of the overall structure, the country is just not producing the amount of food needed, vary so much from country to country, the same emphasis across all countries probably would not be appropriate. However, stressing the importance of this concern and that it be kept in mind in dealing with each country's situation would be a more effective way of stating the point.

Senator STONE. How many title III applications have you received that you have had to turn down?

Mr. WELZ. That we have had to turn down? I do not remember any that we have had to turn down. There have been a number of questions in certain proposals that are still being worked on.

Senator STONE. So you do not say no. You just say give us more information, is that it?

Mr. WELZ. In most cases, this has been a problem in terms of getting adequate information upon which to make an adequate analysis and decision.

Senator STONE. How many countries are there on the waiting list that have applied for title III along the lines of "get us more

information" or any other reason? How many have you got waiting right now?

Mr. WELZ. Well, I think we should start with those that we have approved which would be Bolivia, Bangladesh, Honduras, and Egypt. Those where there is some kind of activity regarding the possibility of designing or approving a proposal would include countries such as Haiti, Sudan, I believe Senegal, and Somalia, and Pakistan.

Senator STONE. What is holding up Sudan and Somalia?

Mr. WELZ. On Sudan, we had a team of people go off from AID and USDA several weeks ago. They returned last week and brought back with them a draft proposal that, at least in the Department, we are meeting on and reviewing this week. I believe AID is also reviewing it internally, and we hope to have some kind of feedback and decisions on that shortly.

Mr. CHASE. Both of those, I think, are more likely candidates for the next fiscal year, Senator.

Senator STONE. Sudan and Somalia are more likely for next year than this year?

Mr. WELZ. Somalia has not even come in with a proposal yet. It has just been in the initial stages of discussion in terms of the idea and what might be included as part of the program.

Senator STONE. And Sudan is not ready for this year?

Mr. WELZ. There has been a question with Sudan because of the financial situation in which the Government finds itself and how that relates to an IMF understanding. It is not clear what types of additional development activities the Sudanese could undertake while at the same time subscribing to an IMF understanding that places a limitation on new expenditures in order to get their overall budget in better shape.

So the issue that we are trying to sort out is whether or not we can meet the legislative requirement of additionality in this context.

Senator STONE. Are you saying that the IMF may be made and be preventing the payment in local currencies for Public Law 480 food?

Mr. WELZ. No. What the agreement may do—we still are not sure on this—is require that the Government not initiate new outlays, new expenditures, and we are trying to look at that in terms of what does that mean—

Senator STONE. What new outlay would it require to participate?

Mr. CHASE. The notion, I think, Senator, just to supplement what Fred said, is that the generations from the sale of title III commodities would be channeled through the central government. These outlays would be in addition to currently budgeted sums, and thus one question would be whether or not that would involve a departure from the agreement on budgetary outlay that has been reached by IMF and the Government of Sudan.

Senator STONE. Our Federal Government?

Mr. CHASE. No; the Sudanese central government.

Senator STONE. They make more money by selling the Public Law 480 commodities?

Mr. CHASE. There would be more money available to them, that is right.

Senator STONE. And the IMF may not want them to have that extra money?

Mr. WELZ. The point is that the additional costs are not solely borne by the locally generated currencies of Public Law 480. There would be local costs that they may have to finance outside Public Law 480 local funds and secondly beyond the title III agreement, there would be the maintenance costs that the Government would have to assume to keep these activities going.

In other words, it would not be an arrangement in—

Senator STONE. Not net. It would cost them some money and the IMF may not be in a position to approve them costing any extra money, is that right?

Dr. HARRISON. Yes.

Mr. WELZ. These are the issues that we have not settled yet. We are working on that now and trying to make that determination.

Senator STONE. And there may also be some spending ceilings set by the IMF in that case on their part?

Mr. WELZ. Well, this is part of the arrangement that the IMF and the Government of Sudan have entered into. In other words, it is not a unilateral-type effort. It would be something that the Government and the IMF had agreed to, and whether or not, therefore, the details of that agreement would allow us to work out a program is still unclear.

Senator STONE. Well, needless to say, just putting another hat on for a minute, the Foreign Relations Committee hat, we are all most anxious to help the Sudanese at this point.

They are helping the process and are under considerable pressure. Anything you can do to expedite their needs could be, I am sure, supported on both sides of the Hill. In fact, I have no doubts.

Mr. WELZ. Excuse me, Mr. Chairman. I might point out that we have a clause in the existing title I agreement that we would be able to go ahead and program the remaining balance under title I and certain agreed upon self-help measures so that there is a viable alternative for being responsive.

Senator STONE. If there is a way to take care of them, we really ought to be trying this year, particularly this year.

Senator JEPSEN. Whenever you are ready with any questions you just come right in, because I have two or three more here, but it is your turn.

Thank you.

Senator STONE. Does the administration support changing section 404(a) of the 1954 act to allow commodities to be provided in short-supply situations for development purposes as well as for humanitarian purposes as under the present law?

Ms. BITTERMAN. Yes, sir.

Senator STONE. Would you have any suggestions or changes for the proposed title II study which is included in S. 1053?

Ms. BITTERMAN. Well, Mr. Chairman—

Senator STONE. If you like, you can submit those in writing.

Ms. BITTERMAN. Yes; but I would like to say one thing.

Mr. CHASE. I think we have a number of changes we would like to suggest.

Ms. BITTERMAN. I would say one thing, though, that we would really prefer the reporting requirement not be legislated.

Senator STONE. A similar question for the title I study, would you want to commit that in writing, too?

Mr. WELZ. I think, as Dr. Harrison indicated at the end of his testimony, we have been requested by the full committee to respond in a legislative report form on S. 962. I do not believe we have gotten a formal request yet on S. 1053, but we have also prepared such comments. We will forward those to the committee this week.

Senator STONE. That would be very helpful. Let us have both. I have no additional questions. Is there anything that any of the panel members would like to add?

[No response.]

Senator STONE. Senator Jepsen, any questions you would like to ask?

Senator JEPSEN. Just by way of perspective, in the administrative direction or control of Public Law 480 where does that responsibility rest? Is it joint? And if it is, who is it and so on, just for clarification for me again? I hear AID and I hear State Department.

Senator STONE. The two lead agencies are AID and USDA, but then there are a whole flock of agencies that are blamed from time to time. [Laughter.]

Ms. BITTERMAN. Also, Senator Jepsen, the Executive order provides that the Secretary of State shall advise on any foreign policy matter. So that is where State gets into the act.

Senator JEPSEN. Is the EPA involved? [Laughter.]

Mr. CHASE. The Treasury Department, of course, is particularly interested in the terms of any negotiation with respect to title I agreements. So again, there are a number of agencies.

Dr. HARRISON. Perhaps I could review the situation quickly, for the Senator. Approximately 2 years ago, President Carter created the Development Coordination Committee, which has the responsibility to coordinate development programs in the executive branch. That committee is composed of representatives from virtually all of the Federal departments in the Government, certainly those that are most directly concerned with development, Agriculture, State, Treasury, OMB, Commerce, and, of course, AID, which chairs the committee.

That committee has a Food Aid Subcommittee, which is chaired by the Department of Agriculture because the Department of Agriculture has primary budget responsibility for food aid. The Deputy Undersecretary of Agriculture chairs that subcommittee. That subcommittee is made up of representatives from State, AID, Agriculture, Treasury, and the Office of Management and Budget. The Department of Commerce from time to time is involved and perhaps one or two others.

That committee provides the overall policy guidance, looks at the budget numbers, and proposes allocation of those budgets by country. In short the major decisions are channeled through that coordinating group with the Department of Agriculture, State, and AID responsible for providing staff analysis through a working group which handles the day-to-day coordination of the program. That working committee is chaired by Fred Welz. We believe that

is important because Agriculture, State, and AID each has legitimate interests which must be coordinated on a day-to-day basis.

And because the program has multiple objectives which, from time to time, can be in conflict, it is important to have a mechanism whereby those differences can be sorted out in a reasonable fashion.

We believe that this process is working reasonably well at this point in time and has been improved considerably over the past year.

Senator JEPSEN. Is AID a completely independent agency, not responsible to anyone?

Ms. BITTERMAN. No, sir, we are part of the State Department.

Senator JEPSEN. So when we talk about AID, we are talking about State Department?

Ms. BITTERMAN. Well, we are part of State; that is, on foreign policy grounds we are part of State, but we have the special responsibility for development, whereas State Department has responsibilities in other broader areas.

Senator JEPSEN. I appreciate that. AID is responsible to the State Department.

Ms. BITTERMAN. Yes, sir.

Senator JEPSEN. I am trying to get these Departments down. The USDA and the State Department, are they the two main areas that are involved in this Public Law 480?

Dr. HARRISON. Yes, primarily, although, as I said, the Office of Management and Budget, as in all executive programs, has an important role to play, and the Treasury Department from time to time.

Senator JEPSEN. Are there any others?

Senator STONE. Commerce.

Dr. HARRISON. Occasionally, although Commerce very seldom becomes directly involved in development programs.

Senator JEPSEN. Going back to a question I had which turned out to be somewhat controversial at one of our first meetings when I asked why Public Law 480 programs, 480 shipments, had been held up, and I was advised they had not been, but subsequently, they advised a farm reporter that they indeed had been for 3 months or so; who decides the effect of human right? That seems to have some effect. Who makes that decision of all these people here? Is it a combined decision or is it an AID decision?

Ms. BITTERMAN. Senator, there is a committee known as the Interagency Group on Human Rights and Foreign Assistance, otherwise known as the Christopher Group, which is chaired by the Deputy Secretary of State, Mr. Warren Christopher, to which a number of agencies belong.

Senator JEPSEN. Pardon?

Ms. BITTERMAN. In which a number of agencies are involved. I would think it is fair to say that the final decision as to whether a country has a serious human rights problem rests with the State Department.

Now, I remember, and I am sure Dr. Harrison and Mr. Welz vividly remember, the holdup of a year ago in which we were struggling with how to handle the new legislation. However, that

did not occur this year at all. So I would not say it has had any delaying effect on agreements.

Senator JEPSEN. I know what happened last year. I was aware that it happened from the other end of things where people sell their goods, and it has a very marked effect in hundreds of thousands of dollars worth.

Now, is Christopher Group—that consists, as you say, of a multitude of agencies that would go outside of the Treasury, State, and USDA?

Ms. BITTERMAN. Yes, sir, because, for example, the U.S. representatives to the international financial institutions such as the International Bank for Reconstruction and Development, and the Eximbank, and the Inter-American Development Bank, and so on also, of course, have to vote on various loans, and so therefore, if it is perceived that a country is having serious human rights problems, then this would come before the Christopher Group.

Senator JEPSEN. So the Christopher Group is the one that if something was held up, and say everything was put together with these various departments and they are held up because they have a question about the human rights situation, could you get an answer to something on that from the Christopher Group?

Ms. BITTERMAN. Well, sir, are you referring to this year or last year?

Senator JEPSEN. I do not care.

Ms. BITTERMAN. Well, last year, there were two problems so I do not think it is quite fair to say that it was just figuring out how to handle the human rights that held things up. We also had the amendment which Senator Bellmon had attached to section 401 which required that the Secretary of Agriculture make a finding that there be adequate storage and distribution facilities and also that there would be no substantial disincentive as a result of any shipment. That took awhile to work out, too.

But I think we now have good procedures and, as I said, no agreements have been held up this year for this reason.

Mr. WELZ. Maybe if I could respond, also, to your question, Senator. I think, as it stands now, we have an institutionalized set of procedures, as Ms. Bitterman was stating. And when there is a problem, there is a working group of the Human Rights Committee to which that problem is brought. They immediately look at the problem and bring the different agencies together to develop a position.

If things can be worked out quickly at the working group level, the problem is resolved. If it cannot, the problem is forwarded to the full Human Rights Committee.

Senator JEPSEN. Where is this working group on the human rights level? Who appoints them and where do they come from?

Mr. WELZ. They stem from Warren Christopher as chairman and the members of the Human Rights Committee in the State Department. The working group is chaired by Deputy Assistant Secretary Mark Snyder, I believe, under the jurisdiction of Pat Darian, the Assistant Secretary for Human Affairs. They chair the working group, which includes Agriculture, AID, members of State, OMB, and others. And if we can resolve the problem there, then every-

thing keeps right on moving. If we cannot, we crystalize the issue and send it forward to the full committee.

Senator JEPSEN. Well, in your judgment, based on your experience, would you say that Public Law 480, as it has evolved, is being used to promote and expand export markets? Is this program putting people on their feet, as it has done for Japan, Taiwan, and others, so they may in the future become paying customers? Or is it to promote and implement foreign policy as expressed by the administration presently with the emphasis on human rights, humanitarian, whatever it may be, or is it a combination of those? Is there one that is emphasized over the other? How would you picture the administration of Public Law 480 at this time?

Dr. HARRISON. I would like to respond to that, and maybe others would, too, Senator. I think we are moving in the direction of giving more emphasis to the development objective in terms of using the food aid as a more effective development resource in the country.

We in the Department of Agriculture are convinced that economic development is closely linked to market development, as it was in the case of Korea, Taiwan, and Japan; that in many countries, at least as per capita incomes are improved through development processes, it opens new opportunities for trade; and that the United States is in a position to benefit from that trade, both in agricultural products as well as in industrial goods.

So we are making an effort to put more emphasis on the development component. That is the direction that we are headed while recognizing that market development is important as well as humanitarian needs, emergency needs, and so forth. And from time to time, and of course, the foreign policy objectives of the U.S. Government continue to be important in the program.

So it is a multiple-objective program. I believe that is good, and that it has been good over the years.

Senator JEPSEN. One of the amendments here, as I understand it, addresses itself to making it easier to forgive both the loan and the interest, and so on; is that correct?

Ms. BITTERMAN. Yes, that is correct, under title III.

Mr. WELZ. That is already in the legislation.

Ms. BITTERMAN. No, not the full forgiveness.

Mr. WELZ. That feature of both multiyear and loan forgiveness is already part of title III.

Ms. BITTERMAN. It is a technical amendment.

Mr. WELZ. The proposal would be to deal with any residue that would build up on interest which, legally speaking with the current language, we could not clear the books totally. But the forgiveness concept itself is already part of the legislation.

Senator JEPSEN. Do you feel, and evidently you do, that this is a necessary thing? You are supporting this, is that correct?

Mr. CHASE. Yes.

Dr. HARRISON. Yes.

Senator JEPSEN. And the reason for that is what?

Mr. WELZ. In this particular language, it is really a technical clarification for legal reasons. The legal counsel both of the Department of Agriculture and of AID feel that the current language is not clear as to whether or not we could wipe totally clear the

interest that may accrue in the beginning before the program gets actually implemented in terms of disbursements. By the way the Commodity Credit Corporation keeps its total accounting system, we could end up in some countries with a small balance left of this initial interest that legally speaking with the current language would be impossible to forgive, even if the country complied with all the requirements of the program.

So it is much more of a technical clarification of the legal language than really a substantive change of the program.

Senator JEPSEN. Over the years did we forgive, in fact, a lot with Japan and with Korea and Taiwan?

Mr. WELZ. We did not have a title III or the legislative forgiveness-type programs with these countries.

Mr. CHASE. This is a fairly new authority, Senator. This has only been in effect about 2 years now.

Mr. WELZ. Effective October 1, 1977.

Senator JEPSEN. Would you say Public Law 480, as such, to meet all of its goals worked fairly well with Korea, Taiwan, and Japan, using these three as an example? There are probably others.

Dr. HARRISON. I think we definitely do. I certainly do at least. I think most of us do.

Senator JEPSEN. So they are better fed now and they are becoming commercial paying customers, and so on.

Dr. HARRISON. Yes.

Senator JEPSEN. Now, I ask this, and it is meant well. This is for my edification. I will be more informed and intelligent a year from now than I am now hopefully. In the schematic of things, those programs that are pretty successful one time are changed and done differently the next. I have been involved in sales management and that type of thing—recruiting, training, motivating people for good service and to be effective—but there has always been a tendency to change something once it is working well. It is a horrible thing. People would self-destruct in 10 minutes if you let them go after they have been successful.

Now, if Public Law 480 was reasonably successful for those countries, then why this change? Is this change because of a change in policy or what? I am just trying to get in my own mind the prospective of what is the intent. Is there going to be more forgiveness or is there going to be more giving? And as such, I am not sure that that develops logically self-paying people.

If they do not have to pay back, if they do not have to develop their own, if it simply works out that they have permission to forget it—we can look at our own welfare programs in this country which have not worked for about two generations.

Mr. CHASE. I was just going to suggest that I think it is important to recognize that nothing in the two principal bills that are before the committee, as I read them, and I think as we all read them, makes a material or structural change in the way the programs have been operated in the last few years. They are, for the most part, perfecting amendments, some modest improvements that were borne out of the experience of the last few years, and there is nothing that is going to fundamentally alter the way that the business has been undertaken.

We could look at any of the individual pieces, but in that context, I think it is important to understand the framework.

Senator JEPSEN. Who will be the biggest utilizer or user or recipient of Public Law 480 this year if you can name a single country?

Mr. CHASE. Egypt by far.

Mr. WELZ. About 25 or 26 percent of the total budget.

Mr. CHASE. Of the title I budget.

Senator JEPSEN. They were headed in that direction even before the peace treaties and so on?

Mr. WELZ. Yes.

Senator JEPSEN. That has been growing for years has it?

Mr. WELZ. For several years, not for like 10 or 15 years, but for the last 2 or 3 years.

Senator JEPSEN. And you say they have about 25 percent?

Mr. WELZ. Of the title I budget.

Mr. CHASE. The title I budget, Senator, is about \$800 million. And then there is title II which is the donations program for the voluntary agencies and the world food program which is another \$500 million.

So what we principally have been talking about, and many of the amendments referred to are on title III or the title I program, which is really quite discrete from title II program.

Mr. WELZ. If I may, I would like to respond to your question from another point of view on the title III legislation as it was enacted effective October 1, 1977. Although the forgiveness feature in the legislation is an additional incentive to recipient countries to encourage them to undertake additional development, my view is that the multiyear commitment which allows us to commit up to 5 years in terms of certain levels is much more of an incentive. In the development process, when dealing on an annual basis, it is very difficult to get commitments geared up and get the local resources, both human and financial, organized and committed without knowing that you are going to have subsequent yearly commitments of resources from the outside.

So that as far as really undertaking additional development that will have an institutionalized, long-lasting effect on raising income, it is important to have some kind of commitment on the recipient country's part so they can see we will give resources to programs that will be undertaken as new or additional activities over a 3- to 5-year period. That to me is much more important.

Now, if I was a finance minister, obviously I would look at the cheapest money I could get.

Senator JEPSEN. Well, that is kind of contradictory for a person to ask the Secretary about setting up some 5-year bilateral purchase agreements that we seem to be reticent to get involved in which is some of the same principle involved here. Other countries have done it, and we are marketing and turning out to be inconsistent, and gaining a customer that is established and he can count on and they know they can count on us and they can plan accordingly, and yet we are reluctant to enter into bilateral agreements, isn't that correct?

Dr. HARRISON. Yes, that is correct.

Senator JEPSEN. But here we want to go into a 5-year plan approval.

Mr. WELZ. There is a big distinction, of course, in talking about these two areas. On the one hand in title III we are talking about countries that are food-deficit countries, lacking in the financial resources to pay on commercial terms in many cases. Thus the food aid provides a concessional resource both for the commodity and for local currency financing in which we are asking them to undertake additional development activities that they decide which ones should go ahead, and in turn will give their support.

With a trade agreement, it is quite a different situation in the commercial world in terms of purchasing countries being able to buy on cash terms or on certainly very short credit terms, and there is not a quid pro quo in terms of undertaking new development activities for the lower income sector.

They are very distinct and I would feel uneasy drawing a parallel conclusion.

Senator JEPSEN. One last question, Mr. Chairman, if I may. On the Public Law 480 program, backing into getting the food grain itself, we will say from Iowa, what type of administrative planning and assurance do you give with some degree of firmness and that they can count on to contract to buy or who do you buy from? Do you take from Government storage or Government storage banks?

Dr. HARRISON. No. What these credits do in the case of titles I and title III is to make available the dollar loan to the country and then that country through whatever mechanisms it chooses, frequently through a Government-controlled buying agency, tenders in the open market, in the United States, to buy from private companies or cooperatives.

So the actual purchase of commodities under titles I and III is made by the country directly from U.S. suppliers. The U.S. Government does not normally get involved as a commodity supplier. We have not been in the last few years at least.

In the case of title II, it is the voluntary agencies or the world food program who come and purchase through the Commodity Credit Corporation normally. Is that correct?

Ms. BITTERMAN. Not quite.

Dr. HARRISON. Sorry. Kay will explain it.

Ms. BITTERMAN. The voluntary agencies and the world food program or in the case of the emergency programs, all of those purchases are made by the Department of Agriculture. In some instances, notably in the case of rice and nonfat dry milk, those supplies may come out of stocks held by the Commodity Credit Corporation.

Mr. WELZ. Title II programs are the food donations.

Ms. BITTERMAN. That is right.

Mr. WELZ. One of the objectives in the law under titles I and III is to utilize the existing marketing system both in the host country and in our country in terms of the purchases and movement of those commodities. So we are not trying to set up an arbitrary or artificial structure but rather to strengthen that existing structure. Whereas, in title II, being a donation program which also covers the costs of transportation, the USDA purchases the commodities directly from the U.S. market.

Senator JEPSEN. In your new agriculture attaché—now, we are shifting a little bit to the farm exports—that we talked about here a few meetings ago, and there were three that I believe were not in place. When they get in place, will they be coordinating also with Public Law 480 so that they will have a combination of direct marketing and Public Law 480, is that coordinated?

Dr. HARRISON. Yes, absolutely. As a matter of fact, they already do, as agricultural attachés, get deeply involved in the process in most countries. The promotion to agricultural consular status will simply enhance their capacity to function.

Senator JEPSEN. Have they made any progress in finding some office space today?

Dr. HARRISON. Yes, I think we have made some progress. I am not right up to the last minute because I was out of the country last week, but I think there has been some significant progress since the last meeting on many of those issues.

Senator JEPSEN. I have a couple of real estate people in Iowa who could help. [Laughter.]

Senator STONE. Thank you, Ms. Bitterman and gentlemen, we appreciate your testimony.

Before we call the next witnesses, let me include for the record the statement of Senator McGovern¹ and a statement submitted by Jack Gilbert,¹ president of the Columbia Basin Growers Association, Basin City, Wash.

The second panel will be Larry Minear, representative for development policy, Church World Service and Lutheran World Relief, and Mark Schomer, Bread for the World.

STATEMENTS OF A PANEL CONSISTING OF: LARRY MINEAR, REPRESENTATIVE FOR DEVELOPMENT POLICY, CHURCH WORLD SERVICE AND LUTHERAN WORLD RELIEF, AND MARK SCHOMER, BREAD FOR THE WORLD

Mr. MINEAR. Thank you, Mr. Chairman. I am Larry Minear, representative for development policy of Church World Service and Lutheran World Relief. As you know, CWS is the overseas development agency of the National Council of Churches and Lutheran World Relief performs the same function for the three major Lutheran churches throughout the country.

You have before you probably 15 or 20 Public Law 480 amendments, many of them rather detailed. The mood of the committee and of the Congress this year seems to be that that government governs best which legislates least. Therefore, I do not propose to go through all of these amendments in detail.

I would like to single out the two or three provisions which I think would be a major contribution from this committee to U.S. food aid policy for the 1980's. Let me speak very briefly, and if you have a question, I would be glad to expand on my remarks. My rather lengthy statement I am sure will also be available for background.²

It seems to me that the overriding issue for food aid is continuity of supply. In the past our food aid programs have been primarily a

¹ See p. 65 for the prepared statement of Senator McGovern and p. 66 for the submitted statement of Mr. Gilbert.

² See p. 71 for the prepared statement of Mr. Minear.

surplus disposal mechanism for U.S. agricultural products. In recent years, there has been a change in that surplus disposal status so that now the legislation provides that in tight supply times the Secretary of Agriculture may make available commodities for humanitarian purposes.

One of the most significant provisions among the amendments would be that in the McGovern-Dole-Melcher bill which would allow not only humanitarian considerations but developmental needs to be met through Public Law 480 in times of tight supply. I was pleased that both USDA and AID support that provision. I think it would be very helpful for the committee to report it out, as you say, next week.

The Food Security Act of 1979 which is not before the committee at this point, would also, in my view, help to assure continuity of supply for Public Law 480. You may remember that back in the 1972-75 period when there was a shortage of commodities in this country and we had the world food crisis and the calling of the United Nations World Food Conference, there were pleas to the United States to respond with commodities to countries in need such as Bangladesh.

The United States at that point did not have a commodity reserve to backstop our Public Law 480 program. The CCC did have authority to make purchases in the market. However, it resisted using that authority because of the inflationary impact that purchasing, let us say, 1 million tons of wheat would have had in 1975. Therefore, we said no to Bangladesh and to other countries in need.

The Food Security Act, which I hope your committee will consider later in the session and report out favorably as the House is in the process of doing, would provide a food aid reserve of roughly 4 million tons to guarantee that, should we have another short supply situation, we would have food aid in reserve to meet those needs.

A third provision related to continuity of supply has to do with the pledge of the U.S. Government under the Food Aid Convention. There are hearings, as you know, Senator, this afternoon before the Foreign Relations Committee having to do with the International Wheat Agreement.

The United States has pledged that it would increase the amount of commodities that it will commit on a year-in, year-out basis in the context of this International Wheat Agreement. My recommendation is that at the appropriate time the Senate affirm that higher level of food aid under the IWA.

Finally, it seems to me that there are a number of measures before the committee that continue the trend of giving added priority to the hunger and malnutrition related purposes of Public Law 480. You were asking, Senator Jepsen, before what are the major purposes of the act. Clearly, the act serves a variety of different purposes.

One of the purposes that has been given prominence in recent years has been the alleviation of hunger and malnutrition. A number of the amendments that are before the committee would do that.

One that strikes me as particularly useful is section 8 of the McGovern-Dole-Melcher bill which would say that we will use our

food aid and our developmental assistance to help developing countries manage their food economies more adequately. This would be a major step ahead and one which I hope you will support.

I was a bit distressed in the statement of a later witness to read the view that, since 1975, the legislation of Public Law 480 has become encumbered by numerous unnecessary amendments turning Public Law 480 into a humanitarian Christmas tree that disregards commonsense and practicality.

Senator STONE. Which witness is against Christmas? [Laughter.]

Mr. MINEAR. Well, I would not allege that of Steve Gabbert of the Rice Millers' Association, but there is a feeling in some quarters that a number of the amendments which have made for a more humanitarian and development emphasis in the program have somehow restricted the flow of Public Law 480 commodities.

One such amendment that we talked about this morning was the Bellmon amendment in 1977. Senator Bellmon, then of this committee, went to Bangladesh and saw that U.S. food aid was arriving in great amounts when there was inadequate storage to deal properly with it and when farmers who could have grown food themselves were being inundated with cheap food from abroad.

I do not think the Rice Millers' or any other groups would say that to require Public Law 480 shipments to be made only to countries which have adequate storage and where it will not depress local prices is an ill-advised provision.

You were asking, Senator Jepsen, about the human rights requirement. Our own view from the churches' side is that the American people would be very uneasy with a program which gave large amounts of Public Law 480 indiscriminantly to countries with repressive governments where it was used to prop up governments that were abusing their own citizens.

Therefore, we feel that the human rights review process is, in fact, a legitimate complement to the program and not an ornament that has been added in the last couple of years. I agree with what Ms. Bitterman was saying that many of the delays in the earlier years of the human rights review process have now been overcome so that the process goes forward fairly expeditiously and does not interfere with the movement of commodities.

Let me conclude, then, by saying that I do hope that from among the various amendments before the committee, you will choose a number that will have a useful impact on the program. I think the ones having to do with continuity of supply and with the hunger and malnutrition related purposes of the program are the most critical.

Senator STONE. Thank you, Mr. Minear.

Mr. Schomer?

Mr. SCHOMER. Thank you, Mr. Chairman. I represent Bread for the World, a Christian's citizens movement in the United States.¹ Our members seek government policies that address the causes of hunger at home and abroad. We welcome these hearings on legislative reforms in the food for peace program and appreciate being invited to share our views.

I am personally quite interested in this subject, having spent 10 years overseas. I recently returned from 2 years in Peru, where I

¹ See p. 76 for the prepared statement of Mr. Schomer.

administered a small voluntary agency food for peace program under title II of Public Law 480. Coming from a field perspective, I have seen some of the problems as well as the possibilities of food aid at the receiving end, and have spent the past year trying to understand more fully the legislative and policy dimensions of U.S. food aid.

I realize from my own experience that administering food aid can easily become a very complex logistical task, ordering and delivering commodities, with little time left to analyze development goals and evaluate nutritional results. While much can be done to improve the food for peace program at the administrative level, I believe that clearer legislative directives are also needed. The legislation which we are considering in this hearing today may not fundamentally change the food for peace program, but it indicates the intent of Congress to pay more attention to the effects of food aid in the countries that receive it. The effectiveness of these modest reforms will depend largely on the creativity and commitment of the administration in carrying out the spirit of the legislation which may eventually be enacted.

In preparation for this hearing, I have studied closely five bills which have been introduced this year with a view to amending Public Law 480. We have only spoken of three so far. The first bill is S. 1, the Food and Agriculture Act of 1979 introduced by Senators Dole and McGovern, which includes a provision establishing a 7 million metric ton yearly minimum. We oppose that for the same reasons mentioned by earlier witnesses.

The second bill is H.R. 2705 which was introduced in the House by Congressman Stephen Solarz on March 7 and presently has 23 cosponsors.

The third bill, H.R. 3324 is the International Development Cooperation Act of 1979 which was approved by the full House on April 10 and which includes a number of food for peace amendments.

Then the last two bills, S. 962 and S. 1053, we are familiar with, since they have been discussed already in this hearing.

Since four of these five bills include provisions which are quite similar, I have developed a chart which is attached to my prepared statement in annexes A and B, in which I indicate the language which we would recommend for markup, and how it relates to each section of the various bills under consideration. I hope this chart will be useful to you and to your staff. I will not go into all the details at this time, but it is available.

Senator STONE. You are making a lot of points.

Mr. SCHOMER. Some people might consider this a humanitarian Christmas tree.

Senator STONE. But I am glad that you did prepare your testimony in that kind of detail and it will be helpful and the chart will be useful.

Mr. SCHOMER. Thank you. I would also like to submit for the record, if I may, a brief article by my staff colleague Brennon Jones which helps situate our consideration of food aid within the broader context of other measures to strengthen world food security as Larry Minear mentioned.

Senator STONE. That will be included.

Mr. SCHOMER. These hearings are being held because many people believe that there is a need for reforms in the food for peace program. Many observers with field experience have questioned the value of food aid for a long time. "Does food aid reduce hunger," they ask, "or does it do the opposite by allowing recipient governments to appease urban unrest with cheap food, neglect rural areas, and discourage food production?"

Such questions and criticisms have, for the most part, been met to the satisfaction of Congress and other supporters by the answer that food aid is an effective response to so many of the other aims of national policy that even though it may fail to achieve completely the objectives of economic developments and relief to hungry people, it goes far enough in this direction to warrant its continuation. In fact, with grain deficits of developing countries expected to rise sharply during the coming decade, a number of experts argue that we should greatly increase U.S. food aid. Farmers, too, would be glad to send more wheat and other farm products overseas to relieve some of the pressure on domestic prices.

However, we believe that in the long run, hunger must be overcome by greater self-reliance within the developing countries, not an ever-growing dependence on food imports from the United States or elsewhere. While there may be a legitimate need for food aid in many countries at this time, such aid must be programed responsibly if it is to benefit the poor and the malnourished.

So we therefore support most of the provisions of the McGovern-Dole bill, S. 962, which we feel establishes a stronger legislative basis for a responsible administration of U.S. food aid. On the other hand, we oppose the establishment of a minimum tonnage as proposed by the same Senators in the Food and Agriculture Act of 1979 since it would create pressures to move 7 million metric tons of food overseas through Pubic Law 480 each year, regardless of whether there are enough countries and programs which can use that amount of food responsibly to meet human needs. Statistical indicators of need are a necessary but not sufficient justification for providing food aid.

Regarding the bill which you have prepared, Senator Stone, I feel it is in many ways an improvement over similar bills submitted earlier which I have mentioned, and I have so indicated in the annexes to my prepared statement. However, I would like to highlight three shortcomings in this bill, in my opinion, which I hope can be dealt with by the subcommittee.

The first has to do with the availability of food aid. Your bill does not include an important amendment proposed by Senators McGovern and Dole which would make food aid available in years of scarcity as well as abundance for development purposes. I think Larry Minear has spoken about this and so have the other witnesses.

The second shortcoming has to do with the determination of legitimate need. We heard from the administration witnesses that one of the provisions of the McGovern-Dole bill would not change much in the program, and it sounded like a Christmas tree kind of an amendment, if I can use the phrase mentioned before. But we would urge that you include in whatever bill is marked up, language from the Solarz bill, H.R. 2705, section 2, which requires that

there be a legitimate need within each country for the types and quantities of agricultural commodities to be made available and that the commodities themselves or the proceeds from their sale benefit the poor. This would help make reducing hunger, the main objective of the food for peace program, and we believe it would meet the approval of a large number of concerned citizens in this country. It is important to note that the McGovern-Dole bill is different from the Solarz bill in this respect: There is no requirement of a determination of legitimate need in the McGovern-Dole bill which is, I think, one of the reasons why the administration witnesses said it really would not change the program much.

Then last, the participation of U.S. agriculture. While we recognize and appreciate the potential contribution of U.S. agriculture in designing food for development projects, we feel that care should be taken to ensure that local institutions and farmers assume primary responsibility for each project and that the resources invested in such projects clearly benefit the poor. Likewise, in that same section of your bill, we think that it is premature to assign to USDA the lead responsibility for the administration of title III at a time in which all U.S. foreign aid programs are being reorganized.

I would refer you to the annexes of my prepared statement for any additional specific comments and would be happy to answer any questions now or later.

Senator STONE. Thank you very much. I have a question for you, Mr. Schomer. As an administrator at the grassroots levels a few years ago, what one idea should be included in the Public Law 480 legislation to help the grassroots level distribution the most? If you were picking one thing, what would you add?

Mr. SCHOMER. You are referring to title II, I presume.

Senator STONE. I am referring to the whole shooting match. You were just out there administering this kind of a voluntary program. What one thing would you add?

Mr. SCHOMER. Participation of the community that receives the food in designing their own project and ownership of the development process by the people themselves in the communities in which food aid is being provided. That would, I think, be the central idea.

Senator STONE. Very helpful. Mr. Minear?

Mr. MINEAR. I also have some overseas experience in the Sudan in terms of program operations. My comment on that point would be to reinforce what I said earlier. The cutbacks in even title II programs which occur when availability of commodities is not assured can be very devastating at the local level. Continuity of supply remains a real issue even though there has been some new legislation in the past couple of years on that point.

Senator STONE. What suggestions for changes, if you have any, would you make regarding the title I and title II studies in the proposed bill?

Mr. SCHOMER. I personally think that the proposal is good. I am a little disappointed with what happened last year when, in the foreign aid bill, I think section 201 it was, there was a requirement that the administration make an evaluation of the effectiveness of title I in meeting nutritional needs of the poor or something like that.

I have seen the report which was prepared, and I feel it was very superficial, and more a justification of past efforts than any serious evaluation and indications of changes. So, therefore, I think the questions suggested in the proposed amendment in your bill are good. I think they are right on target. I only feel that the studies as such might not necessarily be useful unless they do lead to specific recommendations.

Senator STONE. You think the study should include recommendations?

Mr. SCHOMER. It should include recommendations, right.

Senator STONE. Mr. Minear?

Mr. MINEAR. I would add to that simply that the framing of the questions for the study could, in my view, be a bit more evenhanded between title I and title II. As the questions are now framed, nutritional effects and cost effectiveness are expectations only of the donation programs of title II. I think it is clear from congressional legislation that title I is expected also to serve nutritional objectives and to have certain cost benefits.

Senator STONE. Thank you both for very constructive testimony. We appreciate it.

Mr. SCHOMER. Thank you.

Mr. MINEAR. Thank you.

Senator STONE. Our final panel is Stephen Gabbert, the executive vice president of the Rice Millers' Association, and Gregory Sali of S.A. International, Inc.

STATEMENTS OF A PANEL CONSISTING OF: J. STEPHEN GABBERT, EXECUTIVE VICE PRESIDENT, THE RICE MILLERS' ASSOCIATION, AND GREGORY SALI, S.A. INTERNATIONAL, INC.

Mr. GABBERT. Thank you, Mr. Chairman. I can see I am walking on the wrong side of the line this morning. I am cast as a potential humbug. I am also opposing parts of the chairman's proposed bill, but as we know, the spirit of Christmas is in receiving, and I have received. The Christmas spirit is also in giving so I suppose I had better give.

Mr. Chairman, my name is Stephen Gabbert. I am executive vice president of the Rice Millers' Association.¹ Our membership consists of farmer-owned cooperative rice mills and independently owned milling companies in Arkansas, California, Louisiana, Mississippi, Tennessee, and Texas.

Our members process 99 percent of the rice produced in the United States. As you will probably be able to tell from my statement and from my remarks that I am coming from a different side as far as Public Law 480 is concerned. What I will be demonstrating is some of the beneficial effects that Public Law 480 has had on our agricultural sector here in this country and also for the American taxpayer about whom we have not heard too much about in previous testimony.

Basically, this year, the U.S. rice industry will have a record year in terms of commercial exports. We feel that this is due to the assistance and help that we have received from title I, Public Law 480 sales during the past several years.

¹ See p. 87 for the prepared statement of Mr. Gabbert.

In contrast, 1971 was a period where 35 percent of our total exports were for cash and the balance of 65 percent was Public Law 480 concessional sales. Out of total exports this year we are only going to have 20 percent as Public Law 480 and the balance of 80 percent as primarily hard cash sales.

This rice export success story is due not only to increased sales to OPEC countries but also to cash purchases by former and existing title I recipients such as Indonesia, Korea, Peru, and Portugal. In fact, Portugal, Korea, and Peru this year will buy about \$45 million worth of rice for cash. In addition, Korea announced just last week projected emergency cash purchases of rice worth \$130 to \$150 million. We believe that the United States will receive a large share of this buying.

Public Law 480, title I rice sales have helped us to develop strong export cash markets. We have tripled rice's contribution to the balance of payments which is an important element in the battle against inflation and supporting the dollar.

Senator STONE. Is that mainly processed rice?

Mr. GABBERT. This is milled rice, yes. There have been some sales of what is called paddy rice that have been exported within the last 2 years, about 200,000 tons.

Additionally, Public Law 480 has played a critical role within the framework of the domestic price program for rice. This is an area that a lot of people do not understand. Expeditious title I programming of low-quality rice underpins the rice market and allows high-quality rice which is being sold to primarily OPEC countries to be sold at higher prices. In other words, it lifts up the good quality rice which results in a greater contribution to our balance of payments.

Other results of this action are that direct Federal budget outlays for deficiency payments as well as CCC loan and storage operations are minimized. Because of this, we feel that Public Law 480 provides a long-term savings to the American taxpayer.

If used wisely, Public Law 480 also helps to maintain lower food prices for American consumers by providing an outlet for surpluses, thus maintaining increased production levels. We feel that this is not generally known by the American public.

In addition to bolstering farm income and developing export markets, Public Law 480 also feeds hungry people and assists in the economic development of lesser-developed nations. This delicate balance of program objectives is the result of a long history of Public Law 480's strong liberal and conservative bipartisan political support.

Who could vote against a program that helps farmers, develops markets, reduces direct Federal budget outlays, battles inflation, supports the dollar, and feeds the hungry?

Since 1975, Public Law 480 has been tried and found wanting. The basic legislation has been encumbered by numerous unnecessary amendments turning Public Law 480 into a famous humanitarian Christmas tree.

Senator STONE. There it is. [Laughter.]

Mr. GABBERT. I am very much a humanitarian. I am not against feeding hungry people. What I am opposed to is the concept that if we find something wrong with Public Law 480, as did Senator

Bellmon when he went to Bangladesh and found food aid being wasted because of lack of storage space, we do not have to react with legislation.

I think that the initial action that should be taken is to put pressure on the executive branch, to use the tools that are available. There have been too many instances where there are problems with Public Law 480 that people try to correct with legislation.

I think what should be done is stop all of the studies, stop the commissions, take a look at Public Law 480 and ask, "Are the needed tools already there?" If they are, why are they not being used.

Senator STONE. You mean better oversight.

Mr. GABBERT. Better oversight. You said it much better and shorter than I did.

The recently formed President's Commission on World Hunger terms Public Law 480 legislation as follows: "Public Law 480 legislative and administrative provisions and the related decisionmaking processes as cumbersome and overly complex." What they are saying is that Public Law 480 is being legislated to death.

Effective Public Law 480 management has become increasingly difficult through the promotion of misdirected giveaway programs to feed the world's hungry and by congressional decrees to foreign governments telling them how to run their internal affairs.

As I travel quite extensively in Asia, the Middle East, and Latin America, several foreign government representatives have told me why they do not like title III. They have said they do not believe that bureaucrats in Washington or those sitting in the U.S. mission in the host country know any better than the foreign officials as to how to run their country. Foreigners object to having the U.S. Government tell them what they are going to do, what they are not going to do, where they are going to put aid money, et cetera.

So I think there is a great degree of resistance on the part of various foreign governments into getting involved in title III programs for these reasons.

The human rights issue—while it is very laudable that we should proceed with pushing a human rights policy—has to be practical. It should not be used to the extent that we hold back food from a country because we do not believe that this country's internal policies conform to ours.

Public Law 480 is entitled the Agricultural Trade Development and Assistance Act of 1954. It is not the International Development and Assistance Act of 1954. The opening bold black letters in the print of the law very clearly state that Public Law 480 is an act to increase the consumption of U.S. agricultural commodities in foreign countries.

In the first line of the preamble, Congress declares it to be the policy of the United States to expand international trade, and to develop and expand export markets for U.S. agricultural commodities.

For the most part, Senate bills 962 and 1053 do not make any significant contributions to improving Public Law 480. Now, in our statement, we have gone section by section indicating why we do not feel these bills will provide any improvement. Most of our

concerns are related to the fact that existing authority is already in legislation. We do not need any more legislation.

Senator STONE. Would you also comment on the policy objectives of each of these provisions that you think do not have to be legislated as to whether those policy objectives are good or bad? In other words, if you are suggesting that better oversight would handle a lot of these problems, the question is do you approve the policy direction of the legislation if it were carried on as oversight instead of as legislation, or do you disapprove?

Mr. GABBERT. I am going to address that toward the end.

Senator STONE. You do not have to do that now, but if you would write us briefly and quickly as to which of these proposals makes sense from your point of view were they not legislated. That would be very helpful.

Mr. GABBERT. I would be very happy to do that.

Senator STONE. Go ahead.

Mr. GABBERT. I would like to summarize in general some comments about Public Law 480 and then wrap it up. We feel that Public Law 480 was established primarily for the benefit of American agriculture. Its basic mission is to reduce agricultural surpluses, bolster farm income, develop commercial markets for American agricultural products, and feed hungry people.

To maximize the effectiveness of Public Law 480, it should be returned to its original goals. Now, in the area of administration, the Secretary of Agriculture is designated as the primary Public Law 480 action officer. He acts with the advice of other Government agencies. It is USDA's responsibility to provide the strong leadership necessary to Public Law 480's timely and orderly functioning.

Because of Public Law 480's many objectives, there are strong competing parochial interests among Government agencies, Congress, agricultural commodity groups, and foreign countries. The constant tugging and pulling of these various interests requires that USDA program leadership be sufficiently strong and aggressive enough to carry out program objectives. Anything less is unacceptable to maintaining competent program administration.

In spite of well-intentioned task forces, economic studies, developmental theories, and reorganizations, we still return to this basic premise: A program is only as good as the personnel administering it. We cannot expect Congress to legislate competence.

If a program is in trouble due to weak management, one of the first actions Congress takes is to load the program down with restrictive amendments. This happened to Public Law 480 during 1975 to 1977.

Efforts should be made to eliminate or modify restrictive legislation. Current legislative restrictions are causing problems with U.S. commitments under title III. For example, the U.S. Government may not be able to keep a commitment to one country because of an unexpected food shortage that must be satisfied in another country.

The USDA does not now have the flexibility to draw on financing sources for immediate response to emergency situations. Such authority to borrow from CCC used to be available to USDA and should be restored.

Other current legislative provisions that should be eliminated are section 111, which deals with the 75-25 ration food allocation provisions, and section 112 on human rights.

I would like to make some very general comments on recipient country operations. Effective Public Law 480 operations also depend on the U.S. country missions in recipient countries. Each country is different and must be treated as such. Each country has its own unique political, economical, and developmental absorptive capacity for aid. If this capacity is exceeded, the result is waste.

Food aid should be administered so that the locals feel it is their program and understand that we are there to help. Host governments should not be treated as charity wards. Programs should be jointly planned and carried out by host government officials and U.S. mission personnel. If the U.S. country team does not do its job, then all of the legislation and task forces in the world cannot make Public Law 480 an effective food aid program.

Human rights, environmental impact studies should never be permitted to delay getting food to hungry people. There is no justification whatsoever for the United States to implement policy objectives that deny food to hungry people.

Public Law 480 has been around for 25 years. There is enough evidence as to what does and does not work. We recommend that if the Public Law 480 program is to be further evaluated, that it be undertaken by experienced personnel with a reputation for commonsense.

Senator STONE. Do you have a list of those experienced personnel?

Mr. GABBERT. I know a number of people who have retired that are really not involved but whose history goes back over the last 20 years and have the knowledge on how the program has worked.

Senator STONE. Why do you not send us that list, too?

Mr. GABBERT. It is available. I will be very happy to. I think you have had an influx of new personnel within the last 3 years who do not have any roots that reach back into how the Public Law 480 program operated and why it did not operate.

I think you have a tendency to propose change for change's sake. Sometimes you do not really need it. We did have a program back in the early fifties with the U.S. Department of Agriculture which was called OFAR, the Office of Foreign Agricultural Relations. The attachés at that time were involved in providing technical assistance. The program did not work very well so it had to be changed.

I think there is a lot of history available to us from a written standpoint of reports and whatnot and also from a personnel standpoint that can be drawn upon.

Senator STONE. Thank you.

Mr. Sali?

Mr. SALI. Thank you, Mr. Chairman and Senator. Since it appears I am going to be last here and we have taken a long time, I am going to try to cut down what I have to say and shorten the time for that.¹

Basically, the farmers that I have come here to represent agree with our gentleman here and what he has said. We would like to add one thing and that is that we think that title III offers an

¹ See p. 90 for the prepared statement of Mr. Sali.

opportunity that is unusual and unique, if it is put into the proper structure, and that structure is this, that the producing groups in America that produce this commodity in surplus and have the expertise in expanding their capabilities be brought forward directly to implement developing programs in foreign countries.

What we do now, in the status as I have seen it in trying to work with title III for the past year or a little more, is that we have Government agencies here in Washington that have subordinated the duties to others, and I am speaking of the sales manager's Department in Agriculture. They have given up their responsibility to AID.

Now, AID apparently has taken those responsibilities because of the Presidential directive that there should be one coordinating committee, but that is not the intent of Congress. It was not the intent of Congress in any of the legislation that I have written. It always says the Secretary shall.

But the Secretary has abandoned his responsibility. He has given it to the sales manager's group and they have abandoned it to AID. When we have attempted to work with these different groups, we find this kind of a handling of the situation.

If you represent a private business group that is going into a foreign country to open markets for a profit, that is a dirty word. That is something that should not be done, according to AID and according to the sales manager's operations and according to all those in charge.

I am sorry that some of the people that were here this morning have left, because I sure would like to have them ask me some questions about our relationships with them. We have found that if a private group goes into a country—and gentlemen, the Public Law 480 law, title I, says specifically that we are supposed to be encouraging private enterprise—in section 109 it says it twice very clearly. Yet when we try to do that as private business groups, we meet the resistance of the sales manager's group. We meet the resistance of the Special Food Aid Committee, or subcommittee, and in effect they can tell you to go to hell and have done so to the point where they have told me that if I did not like it, I could sue. That is a dastardly kind of operation.

We would like to change it so that we meet the congressional intent of Congress, which we interpret to mean that private business in America has a right to go join hands with private business in developing countries to help them develop their agriculture.

The best place that we can find those people is in American agriculture today. We have an emerging farmer agribusinessman that is growing today. He has had to become active. He has had to become real in the business world today because of all the different restraints we have.

American agriculture is the only area in America today that has the capacity to expand its production. In every case we find problems in industry, in commerce, and here is an article in today's Time magazine, "Productivity Lag Causes Worry." And there is the chart, gentlemen, and tells a very poor showing for America.

This particular chart, in my opinion, portends more recession problems than anyone is giving any credence to right now. Indus-

try cannot compete for a number of reasons, and these are being talked about throughout the country today.

We cannot compete with the Japanese. Here is the reason right here and the explanation. The only way that we can hope to open up new markets is to sell the thing that is the best in the world and that is American agribusiness, agriculture production.

That we do better than anybody else. Everybody wants it. Everybody talks how can we get it. If you go to foreign governments and ask them what can we do, how can we open markets, they will tell you to bring the American farmer.

And as evidence of that, I have a letter here dated the 5th of May from the Republic of Sudan, and I would like to read it.

DEAR MR. SALI. We are pleased to convey to you our desire to have your firm and the consortium of other United States agribusinessmen, farm organizations and other businesses associated with you to participate in the planning and implementing of a Public Law 480 Title III Food for Development program for Sudan.

We assure you that the various ministries of our government will assist your group with all the necessary information at their disposal as required to compile this much needed program for the Democratic Republic of Sudan.

We shall further assist your group by bringing the Sudanese private sector businessmen, whenever required, to join with you in your planning in the implementing of Title III program. We firmly believe that a practicable and meaningful development of our agriculture potential would truly come about when the practical expertise of your American farmers and agribusinessmen join hands with our fine Sudanese counterparts.

We thank you for your efforts in this matter and express to you our highest regards.

Gentlemen, I can repeat that letter in every developing country.

Senator STONE. And you are saying that AID and USDA are telling you to scram, are you not?

Mr. SALI. That is exactly right.

Senator STONE. What legislation or authority did they cite when they tell you not to do that?

Mr. SALI. They do not. They just tell you it is impossible for you to have a program that is integrated to develop agriculture in any one of these countries, and yet in the case of Egypt, if you take the fragmented program that they have over there now, since 1974, they have had \$3.2 billion and they have only used \$800 million of it. Now, if that is efficiency, then God help us. If that is capability, God help us.

Yet if you try to penetrate into that particular area, if you bring a program that is going to compete with any one of those fragmented sections, you will automatically have their repudiation, blackballing in every way. They have put down programs of that kind, and I speak from personal knowledge.

If you go to them and have a meeting, they will not give you full disclosure, and this is reprehensible. For a Government agency to withhold information when you are trying to develop business, when you are trying to follow the thing that has made America great, and that is our free enterprise system, that is dastardly.

Senator STONE. Which agency withholds information of that type?

Mr. SALI. AID and the Sales Manager's Office.

Senator STONE. Well, you testified last so they do not have a chance to come back, at least in this hearing—

Mr. SALI. That is why I wish they had stayed. One of them has.

Senator STONE. They have stayed.

Mr. SALI. I see Ms. Bitterman is gone, isn't she? I would be happy to answer questions for them.

Senator STONE. They have heard what you have had to say, and we will make available what you had to say. I will ask them to respond in writing to it with copies to you. If anything substantial develops from that exchange, we may hold another hearing. If nothing substantial develops from it, I will have it in mind for future hearings which I will be conducting anyway.

Is there anything specific to add to the legislation that you have heard about?

Mr. SALI. Yes. We think that the best way to open up this market, and we think the market for agricultural development is the largest in the world; throughout the world, the largest industry is agriculture.

And if we were to take and examine what it would require to develop the food capability—we have all heard about the humanitarian efforts and so forth here to feed the hungry of the world. Every night there are 3 billion people that go to bed hungry, with not enough to eat. We have all kinds of reports of millions of people who die each year from starvation and malnutrition.

Senator STONE. That is very important but a little bit general. What specifically do you think we should be doing in these bills?

Mr. SALI. May I give the size of this market and tell then the specifics?

Senator STONE. Well, I know the size of the market. I also know how important American agriculture is. I also know how important American agricultural exports are to our dollar, and to our employment.

I also know that it is a competitively productive sector compared to the industrial sector. You made those points, and I knew them before you said them. I am glad you repeated them, but now what we need to do is improve this legislation.

Now, how do we link up all those truths with something specific to make this legislation better or should we not legislate?

Mr. SALI. In our opinion, you do this. You simply take title III programs and instead of the rules and regulations that you have now that are issued by Ms. Bitterman, where it becomes a simple matter of a grant, you turn it around and do what the intent of Congress was in the law, and that was to promote trade and to promote private sector enterprise, and you make that particular distinction that it is brought back to the producers of agriculture and to agribusiness counterparts. By doing that, you now bring the people that have the experience.

After 25 years and billions of dollars of programs, we can only point to a few countries that have real programs in agriculture and have self-sufficiency and so forth. The advent of bringing the American farmer and his groups such as the rice group, et cetera, to bear directly on that problem, to interface with the counterparts in Egypt and other countries, to develop their programs that will increase their agricultural potential will make business for every sector of private enterprise in the United States. It will help the total agricultural picture, and just by making that simple change we can effect that. We will open markets.

The funding should occur through the title III wherein it is used to purchase American goods and services in the United States, not as a grant to the country. We have heard here today about the difficulty of local currency. It would seem to us that it would be very simple to answer that question.

If we are going to make an outright grant of it anyway, why not go the next step and make it a grant that can be used directly in hard dollars to purchase an equal amount of American goods and services. That makes more sense to me than just giving an outright grant.

In Bangladesh the return that we are going to see from the \$50 odd million under title III will be exactly zero. In Egypt the \$15 million will again, for village services, be exactly zero. We will not see any help from that. It will be used and dissipated, et cetera.

Again, we have heard the questioning of who should be in charge of the program. We think it should be in the foreign agricultural service and not in AID. AID has had 25 years run at it with the State Department giving them all the assistance in the world. It is time to change and put it back in the hands of people who are specialists in this particular field of agricultural development.

We think also to assist the picture in agricultural development that we should go back and make retroactive to 1976 the title III programs initiation of title III, period, and make that retroactive.

What you have now is a mechanical situation in title III. The rules and regulations say that a title III should be established at the beginning of the fiscal year. The law, and I am sure that the intent of Congress, was that at any time that a country, a recipient country could come back with a development program that they could then have a title III forgiveness type of action.

The problem is that mechanically when they started a title I or even if they started title III now, the funds are sold locally. Only 5 percent is put into the fund to begin with, and then 6 months grace is given before they put anything else in.

This means that automatically a title III program, unless that recipient country brought forward the money in their own currency and financed the program for themselves for 6 months, which brings a big question in the whole action, means that the whole thing is delayed for 6 months, and yet we are on a fiscal year. So mechanically, the wording is not proper.

The question remains also that since it is a special account fund that the United States may draw from it, et cetera. There is no provision for those funds to be put back in, et cetera. So again, our suggestion that we automatically make a hard loan immediately with title III. We are going to give it as a grant under the present AID programs and rules anyway. This would then eliminate all those problems, all the studies that we have heard talked about today, et cetera, and make it a program that is realistic, that could be entered into immediately and contracting could be begun immediately on the approval of that program, and the recipient country and American agricultural business could then start participating in a real interchange and a real development program.

Senator STONE. Your answer then to all these studies are to make the funds available in hard dollars with permission to use those dollars to purchase American goods and services?

Mr. SALI. Yes, instead of just making it an outright grant over which we have no control.

Senator STONE. Tie the string of repurchase to it?

Mr. SALI. Yes, absolutely. Repurchase and planning with the private sector on a realistic agricultural development program. The difference between the development programs that we have heard here from the different groups and what is being done on American farms today are two entirely different things. One will produce food and the other will just produce paper.

We think that the excess commodities that we have heard talked about and the fear that there is going to be a limited amount in certain years, if provision were made under title III that after a certain level was reached in the reserves at home, that the excess commodities could be used under title III programs, if such a provision were made, you would see the American farmers turn out more commodities and gain billions of dollars under title III agricultural development programs, and they need not worry about fear of having a reserve.

Probably the best way to build a reserve for food grain, cereal grains in America is to make available a loan at 2 percent of \$2 billion to American farmers. They would put up storage, and you automatically at a price of \$2 per bushel of storage have a billion bushels of storage, and they would fill them and it would not cost the Government anything, because that is one of the best ways they have of maintaining an orderly price for the sale of their products.

Senator STONE. Say that again.

Mr. SALI. If the Congress were to make available \$2 billion for on-the-farm storage and make it at a low-interest cost of 2 percent, every farmer that has that need, and there are many of them, would take advantage of it and you would have the largest reserve of a billion bushels of grain.

Senator STONE. Standing loans?

Mr. SALI. Standing 2 percent loans, long term. This is the kind of assistance—you turn that farmer loose and he will produce the food. He has the capacity. He is only just starting, only just starting. You turn that bugger loose, and that is all he knows is to go out there and make something grow and produce it, and he has got the commonsense that you are talking about awhile ago.

You asked where you are going to get the fellows that can design a program that is workable. The American farmer can do it, and the American agribusiness that is being generated out there now is producing some of the finest management people in the world. They have to be skilled in every kind of business there is, in financing, in banking, in real estate management, in personnel training and management, in heavy equipment operation, maintenance, et cetera, parts storage, availability, land, soil engineering, seeds. You name something, and that fellow has got to be somewhat of a specialist in it, and that man is emerging today. That is the modern farmer, the modern agribusinessman that is coming to the fore today.

He is the only one that can survive today's market, and he has hundreds of thousands of dollars invested in his operation. He has to be able to manage it. You do not get that kind of expertise by

sitting here and working your way up from what is it grade 1 to 12 or 18. You will never get it there. All you will get is paper shuffling, expertise paper shuffling, and that is not going to make one single productive agricultural program.

You have got to bring in the American farmer. He is the greatest asset we have got. He is the biggest buyer of steel, of chemicals. Name anything you want, and he is the biggest user.

You turn him loose, and this country will have the greatest trade balance in its favor that it ever had in the history of this world.

Senator STONE. Thank you, Mr. Sali.

I have a question for Mr. Gabbert on the question of the tight supply period. In times of tight rice supply in the United States, do you feel that rice should still be included under Public Law 480 at the normal supply level?

Mr. GABBERT. I do not think so, because if you had that kind of a situation it would be due to an extraordinary world demand which would deplete all existing availability. So even if you wanted to make rice available under Public Law 480 it would not be available. I would say no.

Senator STONE. What kind of help or assistance do you get from our agricultural attachés or consuls when you travel overseas?

Mr. GABBERT. The assistance we get is primarily in logistical support, especially in arranging appointments. We sometimes will rely on an attaché for a briefing on what is going on in the country.

We have found, though, that in quite a few places the attaché is not really conversant with the trade. We are interested in contacting trade people who are more familiar with the marketing situation.

When we really want to find out what is going on, we go to the trade people involved in the marketplace, where we can obtain more hard information. We find that the attaché is more concerned with balancing supply-demand utilization tables and trying to complete his reports, but they still help us.

I think there is more that could be done by the attaché in terms of good market intelligence, and I will cite as an example the announcement last week from Korea that they were going to buy up to 500,000 tons of rice on an emergency basis. The reports that we had received from the Department of Agriculture through the attaché and the Foreign Agriculture magazine said that the rice stock position in Korea was satisfactory. Everything was honky-dory. Now all of a sudden we have this big demand factor that appears in a week.

Now, the point there is, had a lot of rice farmers known about that demand factor on a crop that was harvested back in September and October 1978, they would not have sold their rice in February and March 1979 so cheaply.

Another example is Brazil. USDA had teams running around Rio Grande de Sul looking at the soybean crop. Not a word was said about rice. Brazil announced several weeks ago that they were going to buy up to 450,000 to 500,000 tons of milled rice.

That is a million tons of demand that has come up in the last 3 weeks.

Senator STONE. Well, did your trade people tell you about that?

Mr. GABBERT. We were aware of it. Now, I made a trip around the world. I do this every year. We are on record in a report of our last world trip dated November 1978 stating that U.S. rice exports would be 2.3 to 2.5 million tons. At that time USDA was holding to 2 to 2.1 million tons along with a massive carryover. Official trade outlooks were totally opposite each other. USDA still has a large carryover in its supply and utilization tables. The trade does not know where it is.

As Mr. Welz knows, we often have disagreements on how to do things, what stock levels are, et cetera.

Senator STONE. Do either of you want to make any suggestions before we close the hearings?

Mr. GABBERT. I just wanted to state that I did take both S. 962 and S. 1053 section by section and comment on them in my statement. I think that is what you were asking before.

Senator STONE. Well, I was asking more than that because what you wanted is oversight rather than legislation, and what I want you to tell us is when it comes to oversight, if we do not legislate, is the thrust of the proposed legislation good or bad. Oversight for what?

So if you could make further comments in writing along those lines in terms of policy for oversight, if there is anything in there that you think is useful or if you think the direction in some of these bills is not useful, whether we legislate or not, it would help.

Mr. GABBERT. I would just like to make one brief comment on this orientation of USDA toward developmental aspects of Public Law 480. This is not their job. I do not think this is the area USDA should be involved in. This pertains to State and AID. What you have seen at USDA within the last several years is that personnel, from the standpoint of professional training and background, are AID and development oriented.

There is very little marketing experience in USDA.

Mr. SALI. I would like to comment.

Senator STONE. Mr. Sali, go ahead.

Mr. SALI. In the International Development Cooperation Act of 1979, there is a provision for setting up an Institute for Scientific and Technological Cooperation. We would like to suggest that this be changed to an Institute for International Agribusiness Planning and Technological Cooperation and be staffed essentially with farm crop commodity producing people.

We have already got a whole host of special institutions and special committees that have research, design, et cetera, and given advice throughout the world and still have our problems in agricultural development.

I think it is time now to bring forward the producers. Recently, I had the opportunity to receive a study of the task force on Public Law 480 and gave some new directions, et cetera. It was interesting to note that they had everybody in there as part of that task force except the people that produce the commodities.

So we are saying that let us have a special group that would be international planning, et cetera, that would be a forum for any agribusiness group, and mind you, when I say "agribusiness" I am speaking of all the other businesses that supply the processing plants, et cetera, for agribusiness, and through that organization be

able to bring the attention of other countries on what can be done with American help in agricultural planning.

And where they need, let them then go to the agricultural colleges and institutions and select specific consortium groups of specialists to help on problems. Surely, the problems are going to be there. They are going to arise every day, but the farmer has the practical experience of solving them every day.

There are special problems where these institutions can be brought to bear and be effective. So we would like to see that change.

Senator STONE. Mr. Gabbert, anything further?

Mr. GABBERT. I just have one comment on title III. One of the problems that comes up with title III is that we are taking our idea of development and injecting it into the recipient country's infrastructure. All of the problems that country has, this program is going to have. This creates a lot of delay and reluctance on the part of countries to have the United States become directly involved.

The title I type of assistance is cleaner. It achieves better results and is more cost effective, as Mr. Minear was talking about in relation to title II. Title I is extremely cost effective.

Senator STONE. Mr. Sali?

Mr. SALI. We would agree that you should keep title I. We do not disagree at all, and it should be enlarged. We just say under title III let us bring the practical producers to bear on the solution of farm improvement in other countries.

Senator STONE. Mr. Gabbert, anything further?

Mr. GABBERT. I thank you very much for the opportunity to testify.

Mr. SALI. Thank you.

Senator STONE. We thank you both for testifying. We appreciate it very much.

This hearing is adjourned.

[Whereupon, at 11:43 a.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HON. GEORGE MCGOVERN, A U.S. SENATOR FROM SOUTH DAKOTA

Mr. Chairman, I appreciate the opportunity to testify on the important subject of the future of American international food aid.

While we have introduced separate pieces of legislation to amend and revise the Food for Peace program, I don't see us as being very far apart. Your commitment and interest is obvious, and I fully intend to work with you in helping to shape the future of American food policy.

The basic thrust of my legislation is simple, I would like to keep the structure of the Food for Peace program intact, maintaining our current efforts and continuing the flow of humanitarian food aid to the most needy countries in the world, while at the same time modernizing the whole program by bringing it more into an overall economic development context.

Too often in the past our food programs have been inadvertently used in ways not in the long-term economic interest of recipient countries, or the poorest people in them. While the needs of American producers have been met, as well they should be, I think we would all agree that it would be best if we could meet the dual goals of market development and economic development.

Although the bill introduced by Senator Dole and myself is a no-cost bill, and merely seeks to enlarge slightly the policy scope within the Food for Peace program, I believe the change in policy direction is an important one. If we can, we should signal to Congress, the Executive, as well as developing countries, our desire to tie food aid programs into programs for raising world-wide income levels.

The reason for this should be clear to all students of international policy: food aid alone is too limited a weapon to be depended on solely in the war against hunger. If we can tie our food aid programs into each country's economic development program with the long-term goal of making each country more self-reliant in the long run, we can use food aid for more than short term, stop-gap humanitarian programs.

I know that there is some concern that if we begin to shift our food aid programs, whether they be Title I, II or III of Food-For-Peace, to increase the self-reliance and development of recipient countries, that we will reduce the number of countries wanting our grain, and therefore hurt the producers. I know the Chairman shares my view that this legislation must continue to be useful to our grain producers in every way, and I would like to address specifically this question.

Both the FAO and the International Food Policy Research Institute predict that by 1990 there will be a worldwide grain shortfall of between 90 and 150 million tons. It seems to me impossible that there could be at any time in the next thirty years any diminution of outlets for our surplus grain. The scale of need is enormous. Our food aid, at around its current levels, could only scrape the surface of need, even under the most improved worldwide economic conditions. Our current commitment is only for 6 million tons. Our share of donations and sales is miniscule compared to the upcoming worldwide demand. We can be assured that there will be, for the foreseeable future, an overwhelming need for our humanitarian programs.

There is another very basic reason for tying our food programs more to the internal economic development needs of recipient countries. The development of markets for agricultural products on a paying basis should be one of the long-term goals of our aid programs. The only way we are going to create paying customers among the poorest countries 20 or 30 years from now is to use food aid today for economic development. How else can we help ensure that people in developing countries will have enough income to purchase our products in the years ahead? If we don't raise their purchasing power we are facing a future of continued humanitarian donations and few cash customers. To those who are concerned that with this legislation we are somehow undermining the American producer's options, I would say in fact we are doing the most we can to guarantee the existence of paying customers in the future.

Stated in its most straightforward way, food aid should help raise per capita consumption levels in developing countries to an adequate level. That means, in the long run, providing food aid not only for the traditional and useful purposes of surplus disposal, market development, balance of payments relief, budget support, emergency relief, humanitarian and economic assistance, and political support, but also more clearly and convincingly for development, in particular programming for agricultural development.

This will mean a greater commitment to stable multi-year food aid programs, granted not just when we have surpluses, but when we can help facilitate food security generally, which will then make other development programs possible. Why not use food aid to help build food storage systems, and adequate internal marketing and distribution systems for locally produced grain?

The potential for creative use of U.S. food aid to influence agricultural development strategies in developing countries is enormous. That is the direction of this legislation. We can create additional budgetary resources for governments, and allow them to build more farm to market roads, clear more forests, reclaim more cropland, dig irrigation ditches, and build local grain storage facilities. All the while, aid can support the hungry while programs for increased production are building.

To use our food in this way, the U.S. can respond effectively to the long-term challenge of hunger, which is the challenge of income and development strategies in a world of unequal resource allocation. We can help ourselves and help others, with a greater policy commitment to development food aid.

STATEMENT OF JACK GILBERT, PRESIDENT, COLUMBIA BASIN GROWERS ASSOCIATION,
BASIN CITY, WASH.

Recommendations for "Food Assistance Reform Act of 1979"

Expanding export markets for American agriculture.—Agriculture is the largest business in the world and more people are involved in producing, processing and marketing food than all others combined. The most important commodity that the United States has today that is desired and urgently needed thruout the world is the food production capability of the American Farmer.

His know-how, dedication, ingenuity, ability to plan and to solve economic and environmental problems has made him the worlds most skillful developer and conserver of natural resources and the best proof of this is his continuing outstanding performance of increasing the per acre production of food protein for both man and animals. He has learned to integrate, finance and manage crop production and animal production, together with a wide-range of processing and marketing skills. These skills form the body of modern American agribusiness technology. The agribusiness technology being developed and practiced today gives rise to a new breed of American Farmer. Never before have farmers been so skillful in the production of food. This American Agribusiness farmer of tomorrow is emerging today amidst the most overwhelming odds against his success ever presented in the history of United States farming.

The capital outlay required to maintain a reasonable income from farming for a normal family amounts to hundreds of thousands of dollars. A farmer today must have a large enough tract of land to produce sufficient crops and/or animals to bear the high costs of operation. His investment in equipment is normally several hundred thousand dollars. The more intensive cropping he is able to manage the smaller the land unit may be. Agriculture today is the largest industry in the land. While nearly all other industries including manufacturing can find little more expansion capacity in present production plants, agriculture continues to improve and expand its productive capability and remains the only major area where the U.S. can compete in international markets. The competition for domestic markets is very keen and the production capability is high. The farmer must supply not only the domestic need but provides the greatest export item today in the U.S.—agriculture commodities! A large number of the commodities he raises are priced below his cost of production yet last year he produced for export 42 percent of the wheat exported in the World; 52 percent of the soybeans; and 62 percent of the corn and feed grains. This is down 15 percent from the year before. And he has damn little to say about establishing the prices he gets paid for his production! He does this in the face of high taxes, high land cost, ridiculous equipment costs, absorbant interest rates and a mass of Federal and State regulations that limit and restrict him wherever he turns. On top of this are the ecologists that now want to tell him how to conserve his resources when farming was the first ever to do so. He must have more skills today just to stay in business than any other profession in America. He

must know soils and soil engineering, fertilizing, water resource development and management, seed technology, crop planting methodology for a variety of soils, agriculture chemicals, herbicide management, pesticide management, plant nutrition and pathology, harvesting methods of all types, mechanical engineering and maintenance of all forms of power plants and energy conversion systems, maintenance of heavy and light equipment, use of all forms of electrical energy systems; animal husbandry and breeding, maintenance, selective nutrition, accounting methods and measurement techniques to monitor his production; computer methodology in management systems, handling, sorting and packaging processed products; marketing, transportation systems and costs; contract negotiation, local-State-Federal taxing consequences, real estate management, export marketing, personnel training and management, etc., etc., etc., not the least of which is the financial budgeting required to operate a modern agribusiness farm today. And thru all this must plant at the right time, water at the right time, cultivate at the right time, harvest at the right time, store and process production properly, and hit the market at the high price time and be growing the right combination of crops so that at the end of the year he can still make his budget, land, and equipment payments and hope to God that the bank and PCA will still let him have \$500 a month to keep his family on. Because of his efforts and capability, the people of the United States have the best supply of food at the lowest costs in the world.

But when the American Farmer asks his Government for help he gets a truckload of platitudes and best of luck stories and is told "Our constituency is the consumer not the farmer!"

The small farmer of yesterday is no more and cannot survive without some member in the family holding down a job in town. Today about 30 percent of the 3.3 million farms account for almost 80 percent of the farm products marketed. This amounts to over one million private businesses—surely it must be the bastion of American Free enterprise—and surely from its leadership will come a greater America—respected and sought after thruout a food hungry world.

In the meantime farmland is being sold and taken out of production, more farmers are going bankrupt each year, the trade deficit grows worse each year, the balance of payments gets larger each year, interest rates are soaring to the highest level in history, the dollar has lost its value, and our Government talks of nothing but avoiding recession and controlling inflation which is running away with itself!

How can the tremendous food production capability of the American farmer and his agribusiness technology be used to restore American prosperity?

The answer is that since American Farming is today the largest industry in this great land, and since the farm community today knows that no one is Washington knows how to help them out of this impossible situation, that all farm organizations and farmers today are finally banding together to open up new international markets in developing countries. They are ready and able to crank up their production capability to supply those markets with every type crop, seeds, animals, etc. they produce for market. The Agribusiness Farmer of today has now begun to realize that his skills, ability and developing technology are the only thing that present a chance of keeping peace in the world. He of all professions best understands that three billion people go to bed hungry each night, and they are multiplying at a 2.3% rate per year, and they each have less than 1,000 calories of food to eat per day, and the task of increasing their necessary food production, is so large that it will be generations before the increased food production even with a total all out effort of American Agribusiness technology, can begin to be significant.

He has begun to realize that the market he sells his products into today is a pittance compared to the food production required to increase the average food intake per day from 1,000 calories to 3,500 calories for three billion people. Within two decades the number is projected to be over eight billion people even at today's food intake level!

Where and when will this tremendous requirement for food production be satisfied? Who will supply the food and technology required to increase production? Who will pay for it? Where will the leadership to solve this vital problem of food production come from?

Surely if these problems are not solved, then the sheer numbers of hungry people will take the arms proliferated thruout the world by the elitist foreign policies of our State Department and surely they will turn them against us at an early future date.

The leadership must surely come from the modern American Farmer-Agribusinessman for he is the only one that has the practical experience to develop old and new land into high producing food acreages. He has no political ax to grind—he knows from experience how to get the most important job on earth done—Producing enough food for mankind. The American Farmer knows how to do

it in more intensely cropping situations of small plots or on a massive scale by developing the resources of land, water, mineral, and people resources.

The developing countries are sick to death of listening to our State Department—CIA—AID programs that never come to fruition or amount to a hill of manure. These countries listen only because there's no one else powerful enough to turn to and they have nearly all tried the Marxist way to no avail. They accept these programs under dictated terms when they know there's a better way if they could plan the affair themselves.

Of all the Visitors they roll out the red carpet for, their most preferred one is the United States farmers! They beg for him to bring his expertise, his animals, his seeds, his way of making the land produce! They truly believe that the American Farmer is the best in the world and its only thru his help that they can develop and improve their food production and have a chance to feed themselves. Their biggest problem is they don't have the money to afford his help! And yet our State Department—CIA—AID people continue to pour U.S. money down the rat hole of soft loans, grants for social projects each requiring another study before implementation. The studies are horrendous in number and in some cases they're on the fifth study of the studies previously made. Incredibly the results desired are generally preselected by AID people prior to publishing without even going to the foregoing county. In the case of Egypt AID has been given 3.3 billion dollars since 1974—only 800,000,000 has been used so far and this mainly for studies of previous studies or nonsensical social programs, or fragmented programs that are bound to fail and be wasteful since the supporting infrastructure is missing and no correlation is even attempted.

Congress has held one review after another on this impossible, incredible incompetence—all producing the same indictment of the State Department and AID.

Congress has continually tried to improve the legislation relating to Foreign Aid only to have the State Department—AID compromise its intent.

The responsibility for carrying out these Foreign Aid projects lies in the hands of the President. The President is overshadowed by the State Department Bureaucrats—these are supposed to be the Professionals that are "all knowing" about our Foreign Relations and National Security. They haven't had a successful program in decades. They haven't been accurate about any problem area since the Japanese bombed Pearl Harbor! They don't solve problems, they create them!

Since all decisions in Foreign Relations with respect to implementing the intent of Congressional legislation must be reviewed by the State Department, all Congressional intent, no matter how good and sound it may be, can and is compromised into nothingness by these Professional Diplomats—the guardians of our National Security. There is a most urgent need to change this situation.

The Congressional intent in the pertinent legislation relating to Agricultural foreign aid all specifies that the responsibility for execution is in the hands of the President and the Secretary of Agriculture. Where pertinent it states that this execution should be done with advice from the State Department.

In practice the State Department automatically gives the program to AID which then compromises the Agriculture Department into being a rubber stamp. Objections by the Foreign Agriculture Service of the Department of Agriculture where Congress intended the responsibility lay, are given little notice and AID sends out rules and regulations for implementation under its own authority and thereby well intended programs are squelched—tabled—sabotaged—fini—end! AID of course is not staffed by people with agriculture backgrounds but by "professional do-gooders" that are going to save the World with American tax dollars and excess agriculture commodities and who believe that making a profit in agriculture is a dirty thing. Somehow most of the people with past AID experience wind up in powerful positions in the Department of Agriculture and National Security. Therefore linkage of AID and State Department people within the Agriculture Department and Security Service form a impenetrable network of bureaucrats that thumb their nose at businessmen trying to open up foreign markets in agriculture. In their mind it can only be done thru their programs or not at all.

This amounts to commercial treason against America since the intent of Congress in foreign aid in agriculture is to assist developing countries to improve their agriculture and help feed the poor, build markets for American agriculture and to create enduring friendly foreign relations with other countries. The only beneficiary to failure in our foreign agriculture aid is our Marxist and socialist enemies! And many countries have gone from our vaunted AID into the arms of Marxism and socialism only to come back to the U.S. because food production just doesn't work under those systems. And the commercial treason is not only committed against the largest industry in America—the American Agribusiness Farmer, but against every American citizen who pays for the waste involved. The American Farmer creates

the surplus commodity thru his enterprise and hard work (often at a loss) and AID and State Department play games with this vital food needed by hungry people thruout the world. When the largest industry in a country suffers then surely the whole country must suffer.

And the dastardly thing is that no one seems to be able to find out why this is going on! not even Congressional investigation committees! Which is worse?—to become bankrupt and lose your freedom to do business and your accumulated property thru deliberate acts of people in your own government acting against the laws of the land or to lose them in a time of war thru betrayal to aid the enemy by hired government employees? Both result in the same crisis! Loss of Freedom and private property. What are the changes that must be made to put our major industry back into full production and to turn to a positive means of solving the food production problems of the World.

We start by using our best asset, the American Agribusinessman Farmer. We can do this simply by bringing his leadership capability in developing agriculture programs for emerging countries under an already existing law.

Under the PL 480 Act, Agricultural Trade and Development and Assistance Act of 1954, the United States sells to developing countries surplus commodities thru the Commodity Credit Corporation under soft loan conditions of 3 percent interest only for the first ten years and then balance and interest over the next thirty years. This is accomplished thru Title I.

However, if a recipient country proposes a self-help program of a multiyear agriculture development scheme that will help feed the poor, improve their conditions, improve markets, and promote free enterprise, then all loan funds of the Title I program will be forgiven by the United States, and such funds can be used unilaterally by the recipient country. This is provided for under Title III of the PL 480 Act. Should the recipient Country spend the funds on an internal program such as Village Services, then no further benefit could accrue to the U.S., but if the recipient country were to formulate an agriculture development plan with an American Agribusiness Farmer group and then buy American agriculture goods and services, then all America would gain from an improved balance of payments, improved trade deficit, improved and expanded market for American Agribusiness of all kinds.

But best of all, the recipient country would now have the best assurance of a successful improvement in food production to feed its people and because of the improved economic condition, becomes a larger market for other American Agribusiness commodities, technology, processing equipment, packaging materials, manufacturing plants, etc., etc.

These agriculture development programs start from the need to grow more food until they encompass every industry in America. A poultry plant to grow broilers involves engineering firms, manufacturing firms, materials, feeds, packaging, veterinary supplies, transportation, financial, etc., etc. The Agriculture development plan must be an integrated total program using the turn key approach. This means that many industries that supply the agribusiness Farmer today in the U.S. are included in foreign market programs. Even those that cannot compete with Europe and Japan are benefited.

All industries in America would benefit from the opening of these huge markets. The base industries of steel, copper, aluminum would have additional markets to supply domestic fabricators that would now be providing the many manufactured items needed in a modern Agribusiness technology. Even Educators would be in demand to teach the new technological support required.

How large is this potential market of trying to develop agriculture programs to begin to feed the people of the world?

In America it takes about two acres per year per person to produce the vegetable and meat protein we enjoy in the average diet today.

If we were to plan an agriculture development program that would develop raw land into productive farmland in an emerging country to give 25 million people the same food intake we enjoy it would take the following projected numbers:

Agriculture economists calculate anywhere from \$3,000 to \$10,000 per acre of capital input to take raw land and create food producing capability together with all the supporting infrastructure and services, assuming 2 acres per person then a total of 50,000,000 acres would have to be developed for the hypothetical country. At a cost of \$3,000 per acre this then comes to a total of \$450,000,000,000 dollars to feed a nation of 25,000,000 on the same scale we demand every day. Surely no one not even AID would argue that people in other countries desire more than anything else to have access to the American standard of living.

Let's assume however that it would only take 500 dollars per acre then the figure would still be 25,000,000,000 billion.

Now let's assume we're trying to catch up to feeding 3,000,000,000 hungry people now needing help. The resulting number is so large it becomes unthinkable.

The agriculture market potential is so large that it staggers the mind. It is utter nonsense for America to have such a great asset as she does in her modern Agribusinessman Farmer and the related industrial technology and then to restrain this giant with treasonable government Bureaucrats' phony illegal rules and self-serving regulations when the World needs American food production capability so badly.

Impose the projection that by the year 2000 there are going to be 8 million people then to delay an all out endeavor is sheer madness. What changes are necessary to PL 480 to open these new markets for the benefit of not only all our people in America but all the people in the recipient countries?

(1) Congress must insist that the President shall implement PL 480 Title III programs thru the Foreign Agriculture Service of the Department of Agriculture and remove all agriculture programs and related industrial and commercial programs from AID and State Department. How can helping a country develop its food potential to feed its people be construed in any way to endanger our foreign relations with that country?

(2) Congress must specify that these title three programs be planned thru the assistance of American Farm Producers and Agribusinessmen consortiums working together with recipient government agencies and private sector counterparts. That these projects shall be implemented by private enterprise recipient country joint venture companies composed of partners that planned the project operating under Freeport regulations and funded 100 percent by the recipient government.

(3) Under the Financing section of the Special account provisions of PL 480 provision should be made to utilize local currency for hard dollar purchase. Arrangements should be made with the Export Import Bank, or other agency so that it will exchange local currency for hard dollars needed and hold such currency for a period equal to the term of the recipient countries Title III agriculture program plus five years and such financing shall be available on the date of signing such Title III agreement. At the end of this term the recipient countries local currency should have strengthened due to an improved and growing economy. The Title I soft loan originally started as hard dollars, which is forgiven under Title III—why then is it so difficult to give the commodities, loan hard dollars to buy goods from the U.S. and benefit all of America?

(4) In the International Development Cooperation Act of 1979 is a provision for setting up an Institute for Scientific and Technological Cooperation. This should be changed to the Institute for International Agribusiness Planning and Technological Cooperation. It should be staffed by representatives from all farm producers associations and cooperatives that desire to enter the International Agriculture Export marketing arena. The funding should remain the same. We don't need more research on the subject of how to accomplish agricultural production, we need to get people involved in planning and doing agriculture development. That experience does not rest in our research institutions—it rests in the American farmers that do it every day for a living.

We already have too many expert organizations made up of research types that never get anything accomplished in assisting developing countries. These are nothing more than boondoggle schemes to support our overstuffed University institutions. When our Professors write a few papers and are secure in their tenureship then they become consultants to AID and the State Department. The main function of this Institute shall be to provide a common meeting forum, disseminate information on export market needs, and serve as a coordination center for the private sector American Agribusinessman, Farmer-Producer, and Farm Organizations to enter into the international export markets. They can then elect to participate in planning of projects, participate in overseas joint ventures, or supply goods and services from their U.S. businesses. Various International Agriculture Consultants should be retained as required to assist in solving technically related problems that are sure to arise in Agriculture projects overseas. These tasks should be assigned to Institutions that have special capabilities or to a Consortium of them.

A U.S. antitrust laws exemption must be added to preclude frivolous estoppel from other segments of U.S. Business already entrenched in food markets overseas and fearing competition from direct Farmer Organization involvement in foreign trade.

(5) The PL 480 Act, Title III should be made retroactive to 1977 programs. This will release funds now in the Special Accounts of Title I to be used in the recipient countries for purchase of American Agriculture goods and services improving our balance of payments by opening up new markets. The three present Title III

programs approved by AID have turned into outright grants wherein no advantage is given to building U.S. Trade or selling U.S. goods and services.

This additional program feature would improve our foreign relation position and be better for all countries than an outright grant.

(6) Provide legislation for an improved and more powerful Agriculture Attache that does not report to the State Department except in national security matters and with a rank next to the Ambassador himself. This Agriculture Attache should report directly to the Secretary of Agriculture and be responsible for advising and coordinating American Agribusinessmen and Farm organizations in agriculture related needs of the developing countries.

(7) Consideration should be given to utilizing additional excess commodities, above well defined domestic needs and reserves, for expanded PL 480 Title III programs to increase the opening of new markets in developing countries.

The extent of these additional excess commodities should be limited to the amount of excess production that the American Farmers could produce and in turn would establish the level of additional Food for Development programs.

**STATEMENT OF LARRY MINEAR, REPRESENTATIVE FOR DEVELOPMENT POLICY,
CHURCH WORLD SERVICE AND LUTHERAN WORLD RELIEF**

I am Larry Minear, Representative for Development Policy of Church World Service and Lutheran World Relief. Church World Service (CWS), the overseas development and relief agency of the National Council of Churches, serves the Council's 31-member Protestant and Orthodox communions. Lutheran World Relief (LWR) is the companion agency of the three major American Lutheran churches. CWS and LWR work in partnership with colleague agencies in developing countries and, at the international level, are actively involved in the work of the World Council of Churches and the Lutheran World Federation respectively.

I welcome the interest shown by the Subcommittee in PL 480 and appreciate the invitation to testify today. This year marks the 25th anniversary of the PL 480 program—and the last year in which adjustments in food aid policy may be made before the world plunges into the uncertain decade of the 1980's. Several important changes in PL 480 are needed. Some of them are before the Subcommittee in S. 1053, the Stone-Lugar bill; in S. 962, the McGovern-Dole-Melcher bill; and in S. 1, the Dole-McGovern bill. Other changes yet to be introduced also merit consideration.

I would like to make recommendations in five areas of PL 480 policy and operations, referring in each instance to legislation before the Subcommittee.

(1) *The availability of food aid.*—PL 480 began as a surplus disposal vehicle, deploying available commodities from year to year in the service of a broad array of purposes. While the objective of combating of hunger and malnutrition has attained new prominence among the purposes in recent years, PL 480 for the most part remains on surplus disposal footing. Section 401(a) specifies that food aid commodities may be made available only after domestic requirements, carryover, and commercial exports have been assured. For "urgent humanitarian purposes" alone the Secretary of Agriculture may provide commodities to the PL 480 program when the three availability criteria have not been fulfilled.

Section 3 of S. 962 is therefore urgently needed. It would allow the provision of commodities for developmental as well as humanitarian purposes in tight supply years. Development programs—including some managed by my own agencies—were one of the casualties of the reductions in tonnage under PL 480 from 7.9 mmt in FY 72 to 2.5 mmt in FY 74. In recent years, Congress has legislated mandatory minimum tonnages for Title II and has applied a welcome multi-year approach to some of its programming. However, even the "mandatory" minimums are subject to Section 401(a). A return of tight supply conditions, about which Secretary Bergland warns us even amid the plenty of the moment, is a possibility which needs to be taken seriously.

It is worth recalling that the provision in Section 3 of S. 962 is one of the major legislative recommendations submitted to Congress by Secretary Bergland from the Report of the Special USDA Task Force in PL 480, a Task Force mandated by the Congress in 1977. It is clear from the work of the Task Force and from international food meetings such as the World Food Conference of 1974 that a program designed "to combat hunger and malnutrition" must be concerned not only with humanitarian relief of intermittent famine but also with remedying chronic malnutrition through programs of economic development. It is unfair to expect developing countries to give U.S. food aid an important role in their multi-year development efforts if there are inadequate statutory guarantees in PL 480 for continuity of supply.

Even the development of markets for U.S. agricultural products is not served by off-again, on-again food aid levels.

A second legislative measure needed to guarantee continuity of supply is the creation of a commodity reserve to backstop the PL 480 program. Such a measure was introduced in 1977 by Senators Humphrey and Bellmon, reported by the Committee, and passed by the Senate. A similar measure was also considered by the Agriculture Committee last year. However, using the term "The International Emergency Wheat Reserve" created the impression that it was an international rather than a domestic reserve. Further, a proposal that a financial fund rather than a commodity reserve be created as a protection against commodity shortages in the PL 480 program was introduced. This proposal, while not without a certain attractiveness, would not provide the necessary continuity of supply. At the time of the last major PL 480 cutbacks in the earlier Seventies, the CCC already had financial authority to purchase commodities—but refused to do so because of the projected inflationary impact on domestic food prices.

Legislation to create a PL 480 reserve has been introduced in the House as the Food Security Act of 1979. The reserve would be of up to 4 mmt of commodities, held in government hands. I urge that similar legislation be approved on the Senate side as quickly as possible. In the recently approved final budget resolution for FY 79, the Senate provided funds for purchasing commodities for such a reserve. Prompt enactment would allow its creation in FY 79, with purchases strengthening the market in the coming months.

One final point on the subject of availability. S. 1 requires "a minimum aggregate quantity of seven million metric tons of U.S. farm commodities" to be shipped in each of Fiscal Years 80, 81, and 82. However, those tonnages themselves would cease to be mandatory if "export supplies are not available as determined under Section 401(a)." Increasing the tonnage levels in surplus years but providing no guarantees for years of tight supply treats PL 480 once again as a surplus disposal vehicle. This provision, therefore, should not be approved.

(2) *The uses of food aid.*—Recent years have witnessed a growing concern about how food aid is used in recipient countries. The 70/30 and 75/25 requirements which the Congress has placed on Title I since 1974 have corrected the lamentable allocation of food aid disproportionately to the non-neediest countries. However, assuring that food aid, once allocated to the poorest countries, serves supportable objectives is another matter.

Congress has made considerable progress in delimiting the uses of PL 480. The Bellmon amendment of 1977 (Sec. 401(b)) prohibits shipments unless adequate storage is available and if the commodities shipped would discourage local production. Since 1975, Title I shipments may not go to repressive governments unless they will directly benefit needy people—a provision which many of us heartily support. Valid though these recent changes be, they are for the most part negative rather than positive.

S. 962 contains two helpful provisions of a more affirmative sort. Section 2 stipulates that PL 480 programs "shall be directed toward the attainment of humanitarian and developmental objectives." This is a helpful clarification of relative priorities among the multiple objectives of the Act. It suggests that while food aid may be used to expand international trade and U.S. agricultural export markets and to promote U.S. foreign policy objectives, it needs to serve clear humanitarian and development objectives in the process.

Secondly, Section 8 of S. 962 gives new and greater encouragement to USDA and AID to use food aid to enhance food security in developing countries. While there have been no statutory prohibitions against using food aid for "encouraging domestic production, building national food reserves, expanding available storage facilities, (and) (a) reducing post-harvest food losses," it is clear that much of U.S. food aid has simply been sold on the markets of recipient countries. This provision should therefore lead to substantial increases in the use of U.S. food aid for purposes we would all support.

Let me point out in passing that despite recent improvements in PL 480, there remains a widespread—some would even say, a growing—cynicism about PL 480. Some of those who feel that the food aid program is fundamentally more useful to the U.S. than to the hungriest people in the poorest countries may be reassured by the changes regarding food aid availability and use now before the Subcommittee. They will also welcome the improvements in Title III made by Section 4 of S. 962 and the additional provisions represented in Sections 5, 6 and 7 of S. 962 and in Sections 3–6 and 9–11 of S. 1053.

On the other hand, certain aspects of S. 1053 may not prove reassuring. In what ways will the bill "increase the uses . . . of U.S. food aid"? Will Section 2 be used not only to tighten the concessionality of Title I terms to countries able to pay but

also to soften existing terms to the poorest countries? The former is desirable; the latter is not, since it could further undermine the attractiveness of Food for Development (Title III). Paragraph (4) of Section 7 would give priority in Title III to "programs that use the capability and experience of American agriculture." I have no problem with using American expertise overseas, although the ways in which it could benefit Title III programs need some discussion. I do oppose making the matter of whether proposed Title III programs use U.S. agricultural expertise an overriding factor in selecting among various proposals.

Finally, one cannot talk about the uses of PL 480 and public doubts about U.S. food aid without pointing out that U.S. food aid policies have other undesirable features unaddressed by the amendments before the Subcommittee. Although the U.S. pledged at the U.N. World Food Conference in 1974 not to use food aid as a political weapon, Section 103(d) still prohibits aid to non-friendly countries and Section 411 still prohibits PL 480 from being allocated to Vietnam. Such restrictions prevent the U.S. from responding to human need wherever it exists.

It is worth recalling that an initiative in December, 1977 among a wide variety of private groups, including the National Association of Wheat Growers and the Rice Millers' Association, urged President Carter to make "a generous and timely U.S. response to the unmet food needs of Vietnam and Laos." Just prior to his death in early 1978, the late Senator Hubert Humphrey and 17 Senate colleagues, including three others from the Agriculture Committee, wrote the President urging the U.S. to "share some of its substantial surpluses of wheat and rice with Vietnam and Laos." The serious food shortages in Vietnam and Laos continue. The U.S. announced a contribution of 10,000 tons of food aid to Laos through the World Food Program in May, 1978 but has not made another contribution to the ongoing emergency there or used existing disaster relief authority to respond to Vietnam.

Congress could help prepare U.S. food aid policy for the challenges of a new decade by removing from the books restrictions which impair the ability of the U.S. to use food aid to respond to situations of critical human need.

(3) *The administration of food aid.*—Paragraph (5) of Section 7 of S. 1053 makes USDA the lead agency in administering Title III programs. It seems to me far preferable to have the proposed International Development Cooperation Administration (IDCA) given the lead role over the development aspects of all of PL 480, including Title III.

I am aware that the Reorganization Plan No. 2, which was the subject of hearings before the Governmental Affairs Committee last week, has no such provision in it. However, the IDCA will not be able to accomplish its mission of bringing coherence and greater priority to U.S. policy-making and implementation on development issues unless it has substantial authority over the development-related aspects of PL 480—and of U.S. policy toward international organizations and the multilateral development banks. USDA's reluctance to share its current authority on food aid matters is understandable in view of the similar position being taken by State and Treasury. However, if an effectively functioning IDCA emerges from the current bureaucratic thicket, it would probably bring substantial benefits to PL 480 and might expand the currently narrow base of those who feel U.S. food aid levels should be gradually but dramatically increased.

If the lead responsibility for title III and the other development aspects of Public Law 480 is not assigned to the IDCA, then it seems to me that it should either be assigned to AID or shared between AID and USDA rather than delegated to USDA. I make this recommendation reluctantly, both because I hesitate to choose between the two agencies and because it is my impression that USDA in the last two years has served as a strong advocate for insisting that those title III program requests approved have a strong development dimension. Nevertheless, organizational arrangements should give preeminence to the developmental dimension of U.S. food aid. AID is clearly the agency with people stationed in developing countries who can work with governments to design and implement title III agreements. The fact that title III programs are open only to countries receiving title I commodities does not in itself point toward a lead role for USDA since, as noted above, title I itself is increasingly serving development and food security purposes.

(4) *The international dimension.*—One of the encouraging developments in the 25-year history of Public Law 480 is that food aid has become increasingly a shared responsibility of the international community. While the U.S. remains the preeminent food aid donor, a wider range of nations, including OPEC ones, is providing a larger share of total world food aid. This is particularly noteworthy because some of the contributors, unlike the U.S., Canada, and Australia, must first purchase the food they then make available as food aid or contribute for its purchase to international food agencies such as the U.N. World Food Program.

One of the casualties of the collapse last February of the international grains negotiations was a revised Food Aid Convention (FAC) on which there was substantial agreement. The 1971 FAC incorporated pledges totalling 4.23 mmt annually, including 1.89 mmt. from the U.S. Government had tentatively pledged about 7.5 mmt under a new FAC, with the U.S. pledge at 4.47 mmt. Additional pledges, including some from new donors, might then raise the total closer to the 10 million-ton target agreed upon at the World Food Conference as a reasonable annual figure in view of the needs of the poorest developing countries.

Many of us were pleased that the U.S. since the collapse of the International Wheat Agreement talks has reiterated its intention to abide by its 4.47 mmt pledge and is pressing other countries to do likewise. We urge that the new and higher figures be formalized at the international level and ratified by the Senate at the earliest possible moment. This afternoon's hearings on the Food Aid and Wheat Trade Conventions before the Foreign Relations Committee should provide an occasion for progress in that direction.

Let me in passing call to your attention the meetings which begin next Monday in Rome of the U.N. Food and Agriculture Organization's Committee on Food Aid Policies and Programs (CFA). CFA documents prepared for this Seventh Session contain observations excerpted in the following:

Some steps were taken in 1978 toward ensuring continuity of food aid. Nevertheless, there is considerable scope for improving forward planning in physical terms in most donor countries.

In countries that are significant recipients of food aid concerted efforts are being made to program the use of such aid within the framework of their national development plans, particularly as regards agricultural production. There is also some indication that more food aid is being used in support of projects for promoting agricultural production and employment in rural areas. The amount of project-oriented aid of this kind, however, remains small in relations to needs.

The share of multilateral aid in total food aid, most of which is directed to economic development and nutrition-improvement projects, declined from nearly 17 percent in 1975 to less than 15 percent in 1977, and is likely to have remained at that level in 1978.

The grant component in total food aid is likely to have increased appreciably in 1978/79, largely as a result of recent changes in the United States' food aid legislation. However, a considerable proportion is still provided in the form of loans or on concessional terms.

Governments attending the CFA meeting, including the U.S., will not only be discussing issues and guidelines concerning international food aid, but will also review the need for higher food aid levels and for expanded contributions to the World Food Program. These are not, at this point, actionable issues for the Congress. However, it is helpful for you to be aware of them and to be supportive at appropriate later points.

FAO document which provide a sort of backdrop for the CFA meeting—and for congressional discussions of Public Law 480—indicate that as of last month 15 countries (12 of them in Africa) are experiencing abnormal food shortages, 22 countries unfavorable crop conditions. The attached chart indicates which of these countries are receiving Public Law 480 allocations for fiscal year 1979 and 1980. While title II programs are planned for 11 of the 15 countries with abnormal food shortages in fiscal year 1979 and 9 in fiscal year 1980, title I programs are planned for only 6 and 5 of the 15 respectively. No title III programs are involved. A comparison of Public Law 480 allocations with the larger list of Food Priority Countries designed by the World Food Council shows a similar pattern.

(5) *Food aid effectiveness and accountability.*—There are few in the general public or in the Congress who would not like to see more effective food aid programs, and few among those who have followed Public Law 480 more closely who would claim that programs have been sufficiently effective or adequately monitored. A study to assess program effectiveness, as stipulated in Section 12 of S. 1053, is therefore in principle welcome.

However, the amendment as framed assumes that title II should be judged on items such as nutrition, cost effectiveness, and benefits to recipients, title I on items such as economic and market development effects and storage facility impact. This approach assumes that title I does not have improved nutrition among its objectives or cost effectiveness as a relevant concern. It presupposes that title II is without development effects and cannot itself depress local prices to local producers and preempt tight storage facilities. (Those latter aspects of title II are the concern of Section 3 of S. 1053.)

If there is to be a study of Public Law 480 effectiveness, it should examine in even-handed fashion the comparative nutritional and developmental impacts and

cost effectiveness of Titles I and II. Nor should title III be forgotten, new though it be. A Public Law 480 study might also review the comparative utility of food aid expenditures as contrasted with outlays for other forms of bilateral assistance under the Foreign Assistance Act to developing countries.

There is another reason for looking before leaping to mandate the proposed Public Law 480 study. Congress has already legislated various reporting requirements of the Executive Branch. These reports have been of varying scope, timeliness and utility. The best single source of information on Public Law 480 is the annual Congressional Presentation of AID, but it contains little by way of analysis either of program effectiveness or of shifts in allocations among countries or in uses of food commodities from year to year. There are no regular reports to Congress from the Food Aid Subcommittee of the Development Coordination Committee. Small wonder that an interested public has difficulty finding information even about the positive accomplishments of the program.

The last report mandated by the Congress—last year in Section 201—produced a rather diffuse and unilluminating response from the Executive Branch, transmitted by Secretary Bergland to this and other Committees on February 23, 1979. The report was to provide an analysis of “why title I . . . is not more successful in meeting the food needs of those suffering from hunger and malnutrition” and recommendations “to increase the effectiveness of food assistance under Public Law 480.” Instead, the report spoke in fairly general terms of the accomplishments of title I and of its increased use “to strengthen policies and programs which alleviate poverty.” However, it dismissed without adequate discussion the congressional suggestion that the effectiveness of Public Law 480 could be enhanced by “increasing the proportion of food assistance financed under titles II and III.”

Legislation the previous year (Sec. 215 of Public Law 480) had mandated the creation of a special task force “to review and report upon the administration of the Act.” That task force, on which I served, completed a careful study of Public Law 480 and submitted its report to Secretary Bergland, and he to the Congress, last year. Several of its recommendations are reflected in amendments now being considered by this Subcommittee; others have yet to be dealt with by the Congress. Perhaps it would be useful for this Subcommittee later in the year to review that report in the context of oversight hearings on Public Law 480.

While I would not be totally opposed to mandating another report from the Executive Branch, I would suggest, in view of the above, that the focus be on program review of Public Law 480 use in specific countries. While titles I, II and III have different approaches, all should be measured against their success in meeting the objectives of Public Law 480 as a whole.

Let me sum up my remarks by saying that as Public Law 480 moves into its second quarter-century and as the world enters the uncertain—and, from a world hunger vantage point, ominous—decade of the eighties, there are several key legislative action on food aid policy that the Congress can take. They are, in priority order:

To enact the Food Security Act of 1979, creating a 4 mmt U.S. reserve to backstop the Public Law 480 program.

To assure continuity of U.S. food aid supply further by approving Section 3 of S. 962 to cover development uses of food aid and approve higher U.S. annual food aid guarantees under the revised Food Aid Convention or a similar vehicle.

To continue the recent trend of giving priority to more effective accomplishment of the hunger- and malnutritional-related purposes of all titles of Public Law 480, as in Section 8 of S. 962 on national food security, in the Sections of S. 1053 which improve title III, and in other pending amendments.

I would be happy to work with the Committee in whatever ways are useful to accomplish these objectives.

FOOD SHORTAGES AND PUBLIC LAW 480 ALLOCATIONS

The following table compares the U.N. Food and Agriculture's Report and Food and Crops and Shortages of April 12, 1979, part of its Global Information and Early Warning System on Food and Agriculture, with current and projected allocations of U.S. food aid as detailed in AID's fiscal year 1980 Congressional Presentation. Both sets of information need to be treated as illustrative rather than final since both crop conditions and Public Law 480 allocations change.

COUNTRIES REPORTING ABNORMAL FOOD SHORTAGES

	Fiscal year 1979			Fiscal year 1980		
	I	II	III	I	II	III
Angola	—	—	—	—	—	—
Cape Verde	—	X	—	—	X	—
Chad	—	X	—	—	X	—
Comoros	—	—	—	—	—	—
Ethiopia	—	X	—	—	X	—
Ghana	X	X	—	X	X	—
Jordan	X	—	—	X	—	—
Laos	—	X	—	—	X	—
Madagascar	X	X	—	X	X	—
Mauritania	—	X	—	—	X	—
Mozambique	X	X	—	—	—	—
Sierra Leone	X	X	—	X	X	—
Upper Volta	—	X	—	—	X	—
Vietnam	—	—	—	—	—	—
Zaire	X	X	—	X	—	—

STATEMENT OF MARK SCHOMER, ISSUE ANALYST, BREAD FOR THE WORLD

I represent Bread for the World, a Christian Citizens' movement in the United States. Our members seek Government policies that address the basic cause of hunger at home and abroad. We welcome these hearings on legislative reforms in the Food for Peace program, and appreciate being invited to share our views.

A VIEW FROM THE RECEIVING END

I am personally quite interested in this subject, having spent ten years overseas. I recently returned from two years in Peru, where I administered a small voluntary agency food aid program under Title II of Public Law 480. Coming from a field perspective, I have seen some of the problems and possibilities of food aid at the receiving end, and have spent the past year trying to understand more fully the legislative and policy dimensions of U.S. food aid.

I realize from my own experience that administering food aid can easily become a complex logistical task, ordering and delivering commodities, with little time left to analyze development goals and evaluate nutritional results. While much can be done to improve the Food for Peace program at the administrative level, I believe that clearer legislative directives are also needed. The legislation we are considering today may not fundamentally change the Food for Peace program, but it indicates the intent of Congress to pay more attention to the effects of food aid in countries that receive it. The effectiveness of these modest reforms will depend largely on the creativity and commitment of the Administration in carrying out the spirit of the legislation which may eventually be enacted.

LEGISLATIVE SUGGESTIONS

In preparation for this hearing, I have studied closely five bills which have been introduced this year with a view to amending Public Law 480. These are:

(1) S. 1.—The "Food and Agriculture Act of 1979", introduced by Senators Dole and McGovern on January 15th, which includes a section (501) establishing a mandatory minimum annual tonnage of seven million metric tons of PL-480 exports each year;

(2) H.R. 2705.—The "Self-Reliant Development and International Food Assistance Reform Act of 1979", which was introduced in the House by Congressman Stephen Solarz on March 7th, and which presently has 23 co-sponsors;

(3) H.R. 3324.—The "International Development Cooperation Act of 1979", which was approved by the full House on April 10th and which includes a number of Food for Peace amendments;

(4) S. 963.—A bill also entitled the "Self-Reliant Development and International Food Assistance Reform Act of 1979", which was introduced in the Senate on April 10th by Senators McGovern, Dole, and Melcher; and

(5) S. 1053.—The "Food Assistance Reform Act of 1979", introduced on May 1st by Senators Stone and Lugar.

Since four of these bills include provisions which are quite similar, I have developed a chart which is attached to my prepared statement (Annexes A and B) in which I indicate the language we would recommend for markup, and how it related to sections of various bills under consideration. I hope this chart will be useful to you and your staff, and will not go into all the details at this time.

I would also like to submit for the record, if I may, a brief article ("Taking Stock") by my staff colleague Brennon Jones, which helps situate our consideration of food aid within the broader context of other measures to strengthen world food security.

FOCUS ON REDUCING HUNGER

These hearings are being held because many people believe that there is a need for reforms in the Food and Peace program. Many observers with field experience have questioned the value of food aid for a long time. "Does food aid reduce hunger?", they ask, "or does it do the opposite by allowing recipient governments to appease urban unrest with cheap food, neglect rural areas, and discourage food production?"

Such questions and criticisms have for the most part been met to the satisfaction of Congress and other supporters by the answer that food aid is an effective response to so many of the other aims of national policy that, even though it may fail to achieve completely the objectives of economic development and relief to hungry people, it goes far enough in this direction to warrant its continuation. In fact, with grain deficits of developing countries expected to rise sharply during the coming decade, a number of experts argue that we should greatly increase U.S. food aid. Farmers, too, would be glad to send more wheat and other farm products overseas to relieve some of the pressure of domestic prices.

However, we believe that in the long run, hunger must be overcome by greater self-reliance within developing countries, not an ever-growing dependence on food imports from the United States or elsewhere. While there may be a legitimate need for food aid in many countries at this time, such aid must be programmed responsibly if it is to benefit the poor and malnourished.

We therefore support most of the provisions of the McGovern/Dole bill (S 962), which we feel establishes a stronger legislative basis for a responsible administration of U.S. food aid. On the other hand, we oppose the establishment of a minimum tonnage as proposed by the same Senators in the "Food and Agriculture Act of 1979" (S 1), since it would create pressures to "move" 7 million metric tons of food overseas through PL-480 each year, regardless of whether there are enough countries and programs which can use that amount of food responsibly to meet human needs. Statistical indicators of "need" are a necessary but not sufficient justification for providing food aid.

FOOD ASSISTANCE REFORM ACT

Regarding the bill (S 1053) which you have prepared, Senator Stone, I feel it is in many ways an improvement over similar bills submitted earlier, and I have so indicated in the annexes of my prepared statement. However, I would like to highlight three shortcomings in this bill which I hope can be dealt with by the Subcommittee:

(1) Availability of Food Aid.—Your bill does not include an important amendment proposed by Senators McGovern and Dole (S 962, Sec. 3) which would make food aid available in years of scarcity as well as of abundance for development purposes as well as urgent humanitarian purposes (under Sec. 401(a) of PL-480). This amendment would stabilize the supply of PL-480 food aid for multi-year Food and Development projects. It was a major recommendation of the Administration last year, formulated by a Congressionally-mandated Special Taskforce on the Operation of PL-480. We would urge you to include this provision in mark-up.

(2) Determination of Legitimate Need.—We would also urge you to include language from the Solarz bill (HR 2705, Sec. 2) requiring that there be a legitimate need within each country for the types and quantities of agricultural commodities to be made available, and that the commodities themselves or proceeds from their sale benefit the poor. This would help make reducing hunger the main objective of the Food for Peace program, and would meet the approval of a large number of concerned citizens in this country.

(3) Participation of U.S. Agriculture.—While we recognize and appreciate the potential contribution of United States agriculture in designing Food and Development projects, we feel that care should be taken to ensure that local institutions and farmers assume primary responsibility for each project, and that the resources invested in such projects clearly benefit the poor. Likewise, in that same section of your bill, we think that it is premature to assign to USDA the lead responsibility for the administration of Title III, at a time in which U.S. foreign aid programs are being reorganized.

I would refer you to the annexes of my prepared statement for additional specific comments and will be happy to answer any questions now or later. Thank you.

ANNEX A

Ref. Public Law 480 Sec.	SUGGESTED LANGUAGE FOR SENATE MARK-UP (Language is closest to italicized sections at right)	Ref. H.R. 2705 Sec.	Ref. H.R. 3324 Sec.	Ref. S. 962 Sec.	Ref. S. 1053 Sec.
	(c) Section 107(b) of such Act is amended by inserting "the agricultural commodities of the recipient country and" immediately after "usual marketings of".				
	Commodity Distribution Under Title II				
202(a)	Sec. 4. Section 202(a) of the Agricultural Trade Development and Assistance Act of 1954 is amended by adding at the end thereof a new sentence as follows: "The President shall take reasonable precaution to assure that the distribution of commodities furnished under this title, both in normal times and in emergency situations, will not displace or interfere with local food production and marketing in the recipient country."	5(d)	201	5(c)	3
	Role of Indigenous Institutions and Workers				
202(b)(2)	Sec. 5. Section 202(b)(2) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows: "(2) In order to assure that food commodities made available under this title are used effectively and in the areas of greatest need, entities through which such commodities are distributed shall be encouraged to work with indigenous institutions and employ indigenous workers, to the extent feasible, to (A) assess nutritional and other needs of beneficiary groups, (B) help these groups design and carry out their own projects, (C) recommend ways of making food assistance available which are most appropriate for each local setting, (D) supervise food distribution, and (E) regularly evaluate the effectiveness of each project."	6	202	6	4
	Alleviating the Causes of the Need for Title II Assistance				
206	Sec. 6. Section 206 of the Agricultural Trade Development and Assistance Act of 1954 is amended by amending clause (3) to read as follows: "(3) such agreement provides that the currencies will be used for (A) alleviating the causes of the need for the assistance in accordance with the purposes and policies specified in section 103 of the Foreign Assistance Act of 1961 and (B) programs and projects to increase the effectiveness of food distribution and increase the availability of food commodities provided under this title to the neediest individuals in recipient countries."		7		5

ANNEX A—Continued

Ref. Public Law 480 Sec.	SUGGESTED LANGUAGE FOR SENATE MARK-UP (Language is closest to italicized sections at right)	Ref. H.R. 2705 Sec.	Ref. H.R. 3324 Sec.	Ref. S. 962 Sec.	Ref. S. 1053 Sec.
Incentives for Entering Into Food for Development Programs					
301(a)	Sec. 7. Section 301(a) of the Agricultural Trade Development and Assistance Act of 1954 is amended by— (1) inserting in the first sentence “, or the dollar sales value of the commodities themselves,” immediately after “the local sale of such commodities”; and (2) inserting in the second sentence “, or the use of the commodities themselves,” immediately after “participating country”.	4(a)	203(a)	4(a)	6
Participation of U.S. Agriculture in Food for Development Programs					
302(c)	Sec. 8. Section 302(c) of the Agricultural Trade Development and Assistance Act of 1954 is amended by adding at the end thereof new paragraphs (4) and (5) as follows: “(4) In developing and carrying out Food for Development projects under this title, efforts shall be made to use, to the extent feasible, the capability and experience of United States agriculture in furthering economic development and increased food production. The President may invite farm organizations, cooperatives, marketing, and other private enterprises and voluntary agencies with relevant practical experience in agriculture, rural development, food production, and related areas to participate in designing and implementing these projects, <i>provided</i> that local institutions and farmers assume primary responsibility for each project, and that the resources made available through such projects clearly benefit the poor.				7
Reports and Records Under Title III					
303(a)	Sec. 9. Section 303(a) of the Agricultural Trade Development and Assistance Act of 1954 is amended by striking out in the second sentence “for each year such funds are to be disbursed”.		203(c)		8
			(1)		
305	Sec. 10. Section 303(a) of the Agricultural Trade Development and Assistance Act of 1954 is amended by—		204,	4(b)(1,2)	9
			203(b)		

ANNEX A—Continued

Ref. Public Law 480 Sec.	SUGGESTED LANGUAGE FOR SENATE MARK-UP (Language is closest to italicized sections at right)	Ref. H.R. 2705 Sec.	Ref. H.R. 3324 Sec.	Ref. S. 962 Sec.	Ref. S. 1053 Sec.
	(1) adding at the end of subsection (a) a new sentence as follows: "Disbursements of funds from the special account in an amount equivalent to the dollar value of the credit furnished by the Commodity Credit Corporation under section 304(a) of this Act shall be deemed to be payment of all installments of principal and interest payable thereon for the commodities purchased by the participating country for purposes of this title."; and				
	(2) adding at the end thereof a new subsection (c) as follows: "(c) When agricultural commodities made available under this title are used by the participating country in development projects in accordance with the applicable Food for Development Program, the dollar sales value of such commodities shall be applied, in accordance with subsections (a) and (b) of this section, against repayment obligations of that country under this Act, with the value of the commodities so used being deemed to be disbursements made at the time of such use."				
306	Sec. 11. Section 306 of the Agricultural Trade Development and Assistance Act of 1954 is amended by inserting "a detailed description of how the commodities were used," immediately after "projected targets,"	203(c) (2)		10	
307	Sec. 12. Section 307 of the Agricultural Trade Development and Assistance Act of 1954 is amended by amending subsection (a) to read as follows: "(a) Each year the President shall review the disposition of all agreements providing for the use of (A) the proceeds from the sale of agricultural commodities or (B) the value of agricultural commodities under this title for which such funds or commodities were not fully disbursed the preceding year. The results of such review shall be included in the annual report to Congress required under section 408(a) of this Act."	203(c) (3)		11	
	Availability of Commodities for Development Purposes				
401(a)	Sec. 13. Section 401(a) of the Agricultural Trade Development and Assistance Act of 1954 is amended by inserting "or developmental purposes" immediately after "humanitarian purposes" in the second sentence.	3			

ANNEX A—Continued

Ref. Public Law 480 Sec.	SUGGESTED LANGUAGE FOR SENATE MARK-UP (Language is closest to italicized sections at right)	Ref. H.R. 2705 Sec.	Ref. H.R. 3324 Sec.	Ref. S. 962 Sec.	Ref. S. 105 Sec.
	Determination of Commodity Needs and Program Beneficiaries in Each Country				
404	Sec. 14. Section 404 of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows: <p>"Sec. 404. (a) Agricultural commodities may be financed or otherwise made available for a country under this Act only upon a determination (1) that there is a legitimate need within that country for the types and quantities of agricultural commodities to be made available; and (2) that either (A) the commodities themselves will be used to improve the nutritional status of the poor through effective and sustainable programs, or (B) any proceeds generated from the sale of agricultural commodities will be used to promote policies and programs that benefit the poor.</p> <p>"(b) Country assessments shall be carried out whenever necessary in order to determine (1) the types and quantities of agricultural commodities needed; (2) the conditions under which commodities should be provided and distributed; (3) the relationship between United States food assistance, other development resources, and the development plans of a country; (4) the institutional arrangements for administering and evaluating programs utilizing food assistance; (5) the most suitable timing for commodity deliveries; and (6) the rate at which food assistance levels could be effectively increased to meet nutritional and developmental needs."</p>	2	2		
	Study To Assess Program Effectiveness				
408(d)	Sec. 15. Section 408(d) of the Agricultural Trade Development and Assistance Act of 1954 is amended by adding at the end thereof a new paragraph (4) as follows: <p>"(4) The Secretary of Agriculture shall, within one year of the date of enactment of this Section, conduct and transmit to Congress a study that will—</p> <p>"(A) assess the nutritional effect and cost effectiveness of the program conducted under Title II of this Act, developing data as needed on the benefitting recipients and the relative merits of different food commodities, including processed and blended foods; and</p>				12

ANNEX A—Continued

Ref. Public Law 480 Sec.	SUGGESTED LANGUAGE FOR SENATE MARK-UP (Language is closest to italicized sections at right)	Ref. H.R. 2705 Sec.	Ref. H.R. 3324 Sec.	Ref. S. 962 Sec.	Ref. S. 1053 Sec.
408(d)	“(B) assess the effectiveness of the program conducted under Title I of this Act in terms of its effect on economic development, its usefulness in developing markets for United States agricultural commodities, the avoidance of commodity deliveries that disrupt local recipient markets, and the adequacy of storage facilities for local food production and food aid.” Using Food aid and Related Resources To Encourage Food Security				12
FAA Sec. 103	Sec. 16. Section 103 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new subsection: “(f) The Congress finds that the efforts of developing countries to enhance their national food security deserves encouragement as a matter of U.S. development assistance policy. Measures complementary to assistance for expanding food production in developing countries are needed to help assure that food becomes increasingly available on a regular basis to the poor majority in such countries. Therefore, U.S. bilateral assistance under this Act and the Agricultural Trade Development and Assistance Act of 1954, and U.S. participation in multilateral institutions, shall emphasize policies and programs which assist developing countries to increase their national food security by improving their food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post-harvest food losses, and improving food distribution.”	101(c)	8		

ANNEX B.—FOOD AID REFORM LEGISLATION: REASONS FOR SUGGESTED MARKUP LANGUAGE

(1) Description of the Bill.—In submitting S 962, Senators McGovern and Dole made clear that the main purpose of the bill was to improve the overseas impact of PL-480 food aid in ways compatible with self-reliant development of recipient countries. The purpose of S. 1053 (“... to increase the uses and effect of U.S. food aid ...”) does not adequately reflect this concern. The compromise language suggested keeps the focus on the recipient countries without creating expectations that go beyond the scope of the actual legislation.

(2) Sec. 1.—Short Title.—The briefer title of S 1053 seems appropriately modest.

(3) Sec. 2.—Tighter credit terms for Title I food aid for those who can afford it seems consistent with self-reliance, and could help protect farmers in recipient countries from competition from lower-priced food imports.

(4) Sec. 3.—As PL-480 becomes increasingly a resource for development of poor countries, concern for expanding U.S. overseas markets should be balanced with equal concern for encouraging local producers.

(5) Sec. 4.—Whereas the House language limits precautions against Title II disincentive effects to emergency situations (HR 3324), arguing that normal times are covered by Sec. 401(c), the other three bills provide a more explicit statement of intent by stressing “... both in normal times and in emergency situations ...”.

(6) Sec. 5.—S 1053 minimizes indigenous participation compared to S 962, because (i) the placement of sub-section “(A)” after “shall” gives primary responsibility are distributed” (i.e. U.S. voluntary agencies and the World Food Program) rather than indigenous organizations; and (ii) by removing “their own” in subsection B, it emphasizes the need for beneficiaries to feel actively committed to projects, a

critique often made of Title II programs. For these reasons, the language of S 962 (which is closer to that passed by the House in HR 3324) seems preferable.

(7) Secs. 6 and 7.—Bills are nearly identical, and S 1053 seems more concise.

(8) Sec. 8.—Three modifications of S 1053 seem necessary to make it compatible with the intent of S 962: (a) Remove paragraph (5) giving USDA lead responsibility for Title III, since this should be discussed together with more general issues of foreign aid reorganization; (b) Attach a *proviso* at the end emphasizing self-reliance so as to avoid creating a new channel for aid funding to return to U.S. institutions when the intent is to help the poor; (c) Instead of giving "priority" to programs involving U.S. agriculture, do so only "to the extent feasible" (the same language used in Sec. 5, above, with reference to indigenous institutions and workers).

(9) Secs. 9, 10, 11, 12.—Grouping reporting requirements for Title III, as in § 1053, is technically clearer.

(10) Sec. 13.—Broadening Sec. 401(a) availability criteria was the major recommendation of the Special Taskforce on the Operation of PL-480 in 1978, and was supported by Agriculture Secretary Bob Bergland. It should definitely be included, as it is the most significant amendment proposed. Reasons are given in McGovern and Dole speeches introducing S 962.

(11) Sec. 14.—The proposed amendments to Sec. 404 provide a clear statement of the major intent of the entire food aid reform bill. Although many of the points (particularly in subsection "(b)") reflect current administrative practice and policy, they are not specifically required by legislation. In particular, subsection (a)(1) seeks to introduce an explicit determination of legitimate need (as recommended in HR 2705 but not in S 962), for reasons explained in the McGovern and Dole speeches introducing S 962. Unfortunately, the language of S 962 in this section does not adequately reflect the stated intent of its sponsors, which is why the language of HR 2705 seems preferable.

(12) Sec. 15.—A study to assess program effectiveness would be useful to the extent that it leads to programming decisions, not just justification of past actions. The Administration's report in response to Sec. 201 of S 3074 (the Foreign Assistance Authorization Bill for FY 1979) was inadequate, in our opinion, which is why a new study, more sharply focussed, seems in order.

(13) Sec. 16.—Although this section does not amend PL-480, but rather the Foreign Assistance Act of 1961, the policy language proposed helps put in context the other provisions of the food aid reform bill. Identical language was approved by the full House (HR 3324) but was not included in the Senate Foreign Assistance Authorization bill (S 588) this year.

[ANNEX C]

[Background Paper No. 36 May 1979]

TAKING STOCK

(By Brennon Jones, Issue Analyst, Bread for the World)

An Assessment of Progress in Establishing an International Network of National Grain Reserves

The following article is adapted from a narrowly focused and somewhat technical consultancy paper requested by and prepared for the Presidential Commission on World Hunger.

Several witnesses before the Presidential Commission—including U.S. Secretary of Agriculture Bob Bergland and World Food Council Executive Director Maurice Williams—have expressed the view that the establishment of effective food security for developing nations should be a priority. The reason is obvious: to assure sufficient food so that in the event of a shortage in an individual nation or a tightening of the worldwide supply, the needs of malnourished people can be met. Concurrently it is also essential when shortages arise that agricultural production and development efforts be sustained. These efforts were not kept up during the 1972-75 period, when many developing nations were unable to make necessary commercial purchases because prices had skyrocketed, while international food aid from the developed nations declined precipitously.

Although some progress on food security has been made since the 1974 World Food Conference, it has been insufficient. In fact, the developing nations' food security position has actually eroded in some respects. An assessment of their situation must include an examination of three areas: the current world food supply situation, emerging grain-trade patterns, and progress in establishing international and national food security schemes.

CURRENT FOOD SUPPLY

World grain surpluses have grown substantially since 1974. They are projected by the U.N. Food and Agriculture Organization (FAO) to be 202 million tons—or 21 percent of estimated annual consumption for 1978/79 (excluding the USSR and China). While this level exceeds FAO's definition of the minimum level for world food security, several disturbing features emerge from the current supply situation.

1. The growth in supply has been the result primarily of extraordinarily good weather virtually worldwide the past four years. A continuation of such weather is highly unlikely;

2. Most of the increase in accumulation since 1974 has been in feedgrains, while wheat stocks have actually fallen during the last two years;

3. Seventy-five percent of grain stocks at the end of 1977/78 were concentrated in the developed nations, with Canada and the United States holding 52 percent of them. And the *share* of grain stocks held by the developing nations has been progressively diminishing, from 31 percent in 1975/76 to 28 percent in 1976/77 to 25 percent in 1977/78.

GRAIN TRADE

Since the World Food Conference, the developing nations' dependence on grain imports has continued to increase, mainly to meet the widening gap between their production and consumption. Their share of total world grain imports, according to FAO, has increased from 38 percent to 49 percent over the last three years, with actual imports expected to rise to 76 million tons in 1978/79. And this has happened despite the disappearance of India as an importer in recent years. Both the International Food Policy Research Institute and FAO predict radically increased deficits in the future. FAO estimates that grain imports by developing nations may exceed 90 million tons by 1985, a figure that could be reduced simply by the inability of many developing nations to finance their share of purchases even at today's fairly stable prices.

The increasing dependency of the developing nations on grain imports occurs at a time when international food aid is not growing appreciably, and in a period when the trade policies of the major exporting nations is in considerable flux. Several factors suggest that the ability of many developing nations to import needed supplies on either reasonable commercial terms or as food aid will become increasingly difficult:

1. In the absence of an effective international grain price stabilization system that includes most importing and exporting nations, formal and informal bilateral agreements are on the increase. Examples of these are arrangements exporting nations have with the USSR, Japan and China. Such bilateral deals, which are usually given only to the best cash customers, serve to transfer and amplify the effects of price instability to the weaker developing nation imports and food aid recipients;

2. Rapidly growing markets—particularly the USSR and China—will pit them against poorer developing nations for scarce supplies. The CIA estimates that the USSR will import 15 to 25 million tons of grain annually at least through 1985, with half of the total coming from the United States. China is expected to import at least 10 million tons, an increasing portion of it coming from the United States in the next several years;

3. There is a trend in the grain trade towards expanding exports at almost any cost. The United States is a good example. Having captured most of the growth in world trade in recent years—for example, the U.S. has captured 75 percent of the 57-million-ton increase in feedgrain and soybean exports since 1972/73 and 85 percent of the increase in wheat—the United States is in the midst of an aggressive export promotion campaign that includes new intermediate credit programs, expanded market development, and at least talk of the return to export subsidies;

4. The threat of a trade war among major exporters, with the instability it would foster, is an increasing possibility;

5. A weak U.S. dollar is spurring exports, which could lead to sharp reduction of U.S. supplies; and

6. There is strong pressure from producers, particularly in the United States and Canada, for mechanisms to significantly increase grain export prices. If these producers have their way, the result could be extreme production controls and acreage set-asides like those of the late 1960's that set the stage for the 1972/75 food crisis.

In combination, these factors could destabilize the international grain market and, thereby, make food security measures that safeguard the developing nations essential.

PROGRESS ON FOOD SECURITY

International Wheat Agreement (IWA): Since the World Food Conference, the major international effort in the area of food security has been negotiations in the International Wheat Council (IWC) and the U.N. Conference on Trade and Development (UNCTAD) to establish a worldwide grain price stabilization system. The United States and 70 other grain importing and exporting nations have attempted since 1975 to reach agreement on a coordinated system of nationally-held reserves. In mid-February those negotiations collapsed over differences on the reserves' pricing provisions, the size of stocks to be held by participating nations, and the issue of whether developing nations should be granted "Special Provisions" that would help them to establish and maintain stocks. Reconvening of the talks is extremely unlikely within the year.

In retrospect, the wheat negotiations yielded some clues that could be used in devising a policy that would give the developing nations food security:

1. It was overly optimistic to think talks that were primarily concerned with commercial grain trade would meet the special food security needs of the developing nations. While an effective international price stabilization mechanism is essential, stocks released from such a reserve would be released onto the commercial market. Major exporters, including the United States, have been consistently unwilling to perceive a price stabilization agreement as a tool to provide preferential access or special stocking assistance for developing nations.

2. Even if an agreement is reached in renewed negotiations, there is doubt that it will function effectively, because of the difficulty of reconciling the divergent interests of the importing and exporting participants; the inadequate international mechanisms for enforcing pricing rules; the virtual oligopoly that exists in the grain trade; and, most important, both the exclusion from the agreement of feedgrain stocks, which can be readily substituted for wheat, and the small quantity of wheat (15 to 30 million tons) being considered. According to many economists, that tonnage is insufficient to provide international grain price stability and food security for the developing nations.

3. Nations should not have used the IWA negotiations as an excuse to delay building national stocks. A number of nations, including all the major exporting nations except the United States, have yet to establish domestic reserves. Thus five years have passed in which progress toward food security has been frustrated by the failure to build such stocks.

All this suggests that, while continued efforts to establish a new International Wheat Agreement are crucial, other actions of more immediate impact to the food security needs of the developing nations should be vigorously pursued:

International Undertaking on World Food Security. The FAO Undertaking has sought to create an international network of national reserves, with each country agreeing to establish a national food security plan with stocking targets. While the number of nations subscribing to the international undertaking—75 including the United States—has increased, the status of their individual stocking policies is the cause for pessimism.

Most of the major exporting nations have yet to establish specific stock targets, in part because they are awaiting the conclusion of IWA negotiations. Only the United States and Turkey have established formal reserves. The U.S. reserve, which was enacted in 1977, now holds 33 million tons of wheat and feedgrains or approximately 40 percent of current U.S. surpluses—and has provided some price stability. But it should be noted that the U.S. reserve is held by producers, not directly by the government; and while there are incentives for the stocks to be released when prices rise, no specific trigger price exists that requires producers to release their grain. Nor, as stocks come onto the market for sale to the highest bidder, are there assurances that needy developing nations will have access to any of it in times of tight supply.

While the developing nations have generally established stock targets, only some have been able to meet them. Many more have not met their goals, principally because of insufficient storage facilities and their inability to acquire food for stocking reserves. And they point to the lack of assistance from the developed nations in helping to meet these needs. The unwillingness of the rich nations to provide "Special Provisions" to the developing nations in the IWA negotiations—on the grounds that such provisions are unsuitable in commercial grains agreements—is somewhat understandable. However, their unwillingness to make a priority of assisting developing nations in the establishment of national stock programs through bilateral and multilateral channels is not.

Some international aid has come through bilateral and multilateral channels such as the World Bank, FAO and the World Food Program. But not enough. For example, although FAO's Food Security Assistance Scheme (FSAS) has helped 28

developing nations improve their food security positions by various means, few stocking schemes are yet established. Only seven projects have been completed, with another 13 under way. International aid for FSAS has been minimal—less than \$20 million—with Switzerland and the Netherlands contributing more than half. The U.S. has contributed almost nothing.

International Emergency Food Reserves: Special reserves to meet the emergency needs of food-poor developing nations is one program for which the mechanism for an effective international response is now in place. The World Food Program's International Emergency Food Reserve (IEFR) was created at the 1975 U.S. Special Seventh Session as an interim mechanism until an international stabilization reserve could be established. The IEFR is now semipermanent and will be replenished annually. Contributions have each year fallen short of the small, 500,000-ton target, with the 318,000-ton 1978 total being the largest in the IEFR's years of operation. The United States has contributed 125,000 tons annually, and its 1979 contribution is the only one received to date.

On the national level, a number of countries have moved to establish emergency reserves to ensure continuity in their food aid program for developing nations. The motivation for this is the experience of 1972-75, when food aid was radically reduced just when it was most critically needed. For example, U.S. PL 480 assistance, which was 9.9 million tons in fiscal year 1972, dropped to 3.3 million tons in fiscal year 1974 because the administration was afraid that additional governmental purchases of food for aid would further inflate food prices.

The Carter administration has repeatedly voiced strong support for a U.S. International Emergency Wheat Reserve (IEWR) of 6 million tons to backstop PL 480 food aid commitments in times of tight world food supply and high prices. But no such reserve has been enacted by Congress, although one such bill sponsored by the late Senator Humphrey passed in the Senate in 1977 and another cleared the House Agriculture and International Relations Committees last year. Without such a reserve and with U.S. food aid still subject to the availability of domestic surpluses as it was in 1972-75, a tightening of U.S. grain supplies and higher prices would quickly reduce PL 480 commitments once again and reduction would be of immediate detriment of hungry recipients, would disrupt multi-year development projects that use food aid and would burden developing nations with heavy costs. In the face of food aid cutbacks, they would be forced to enter the commercial market to make needed purchases at peak prices.

Food Aid: The international annual food aid commitment of 10 million tons agreed to at the World Food Conference has yet to be reached. But the levels are considerably higher than in the mid-1970's, because of surpluses in recent years. Attainment of the target would have been facilitated by a renegotiated Food Aid Convention (FAC), which was being considered as a part of the International Wheat Agreement. When the talks collapsed, pledges totaled about 7.5 million tons, a substantial increase over the 4 million tons under the existing Food Aid Convention. The United States, which pledged 4.47 million tons (up from its current annual FAC pledge of 1.89 million tons), is considering an initiative to obtain international agreement on a new FAC even without a new Wheat Trade Convention.

RECOMMENDATIONS

Certainly, the most crucial step toward meeting the long-term needs of the hungry in developing nations is for those countries to increase food production and guarantee the equitable distribution of food and the resources of production within their nations. But international efforts at assuring world food security and meeting the special food needs of the developing nations must receive a higher priority than they have since the World Food Conference. This is particularly true now that ample grain supplies allow for the stocking of reserves. Here are policies that the Presidential Commission might advocate:

1. The United States, as the dominant grain trading nation in the world, should demonstrate a clear interest in establishing an internationally coordinated system of nationally-held reserves as proposed by the nations represented at the World Food Conference. In line with this, the U.S. should press for a reconvening of the International Wheat Agreement negotiations with the aim of bringing them to a successful conclusion as soon as possible. U.S. policy should reflect the need both for substantial reserve holdings to guarantee effective grain price stability and for pricing mechanisms that assure developing nations of reasonable prices.

2. The United States should put increased emphasis on supporting the food-security and national-food-reserve needs of developing nations. This is particularly important in light of the developing nations' increasing dependence on food imports and the lack of progress so far in establishing an international grain price stabilization reserve. Immediate steps should include:

A. A substantial U.S. contribution to FAO's Food Security Assistance Scheme (FSAS) and U.S. support for making food security a higher priority issue for international organizations (e.g., U.N. Development Program and UNICEF) and the multilateral development banks (e.g., International Development Association and the regional banks).

B. Greater bilateral aid expenditures through Section 102 of the Foreign Assistance Act for such purposes.

C. Increased utilization of PL 480 commodities to stock domestic emergency reserves and of PL 480 counterpart funds for storage construction. Such steps should be taken only with the warning that PL 480 food aid should not be used by developing nations as a substitute for storing their own grain, nor should it be used by the governments of those countries as a cheap alternative to purchases from their own farmers. Either use would tend to discourage local food production.

3. The United States should take immediate steps to safeguard food aid commitments to the developing nations:

A. A U.S. International Emergency Wheat Reserve of 6 million tons, which would be a backstop to U.S. PL 480 food aid in times of tight supply, should be established. The United States might also explore the concept of an international financial fund to be used in combination with emergency reserve stocks. Reserve stocks would be used only in times of high prices and tight supply, so that the inflationary effects of donor nations making aid purchases in the commercial market can be avoided. The financial fund might be used in times of ample world supply and lower prices for purchases by individual cash-poor developing nations that have suffered significant crop shortfalls.

B. U.S. contributions to the World Food Program's International Emergency Food Reserve should be increased. And the U.S. should urge other nations to increase their commitments. The United States might also propose that the WFP reserve be increased from its current target of 500,000 tons to 1 million tons, at least until an IWA agreement is concluded or more progress is achieved on national stockpiling schemes.

C. The U.S. should commit itself on a multi-year basis to the 4.47 million-ton pledge it has made in negotiations on a new Food Aid Convention. The administration should also press for international agreement to the higher food aid levels pledged by donor nations before the IWA agreements collapsed.

4. The United States should reassess the implications of its strategy of aggressive agricultural export promotion, which has been recently legitimized by the passage of the Agricultural Trade Act of 1978 with its intermediate credit and other export promotion features. The intent would be to insure that U.S. export promotion efforts do not undermine food security objectives in the short-term, by encouraging developing countries to rely on purchases of U.S. grain rather than to build up reserves of their own, or in the longer-term, by inducing developing nations to shift scarce funds away from essential internal agricultural development, because of the availability of cheaper U.S. grain imports.

WORLD FOOD SECURITY

What is world food security? According to the U.N. Food and Agriculture Organization, it means that world grain stocks must be at least 18 percent of annual world consumption. Stocks are currently about 21 percent of annual world consumption.

This definition of world food security does not refer to the distribution of food. It does not mean that hungry people have the income to purchase food, can produce food themselves or receive food from the government or relief agencies. Nevertheless, it is an important indicator of whether or not enough food is available to meet disasters and shortages that may occur, and to provide for essential nutritional and developmental needs—if the political will exists to do it.

However, with 75 percent of world grain stocks in the developed rather than in the developing countries; with most of these stocks not in any formal reserve program; with limited progress in the developing nations in building their stockholding capacity; and with insufficient commitments being made by the developed nations to help developing nations with their food problems, real food security remains elusive. The absence of such security denies poor countries the stable situation they need for increasing their food production and pursuing other development efforts.

STATEMENT OF J. STEPHEN GABBERT, THE RICE MILLERS' ASSOCIATION

Mr. Chairman, my name is Stephen Gabbert. I am Executive Vice President of The Rice Millers' Association. Our headquarters office is located in the Washington,

D.C. area. Association membership consists of farmer-owned cooperative rice mills and independently-owned milling companies located in Arkansas, California, Louisiana, Mississippi, Tennessee, and Texas. Our members process over 99 percent of the rice produced in the United States.

Over 50 percent of U.S. produced rice must be exported. Consequently, exports are the lifeblood of our industry. The U.S. rice industry is dedicated to maximizing export expansion opportunities and minimizing international trade obstacles.

The 1978-79 rice marketing year (August-July) will be a record one for U.S. rice exports. Commercial export sales are expected to contribute over \$1 billion to our balance of payments. P.L. 480 Title I sales have been a major contributing factor in attaining this record export level. This year, P.L. 480 Title I rice sales will make up less than 20 percent of rice exports totaling approximately 2.4-2.5 million metric tons. This is in sharp contrast to 1971 when dollar export rice sales were only 35 percent of total exports. The balance consisted of P.L. 480 concessional sales.

This rice export success story is due not only to increased sales to OPEC countries but also to cash purchases by P.L. 480 Title I recipients such as Indonesia, Korea, Peru, and Portugal. During the current marketing year approximately \$45 million worth of rice has been purchased by Portugal, Korea, and Peru. In addition, Korea announced during the week of April 30 projected emergency cash purchases of rice worth \$130-150 million. We believe that the United States will receive a large share of Korea's buying.

P.L. 480 Title I rice sales have helped to develop strong export cash markets, tripling rice's contribution to the U.S. balance of payments, an important element in the battle against inflation and to support the dollar. Additionally P.L. 480 has played a critical role within the framework of the domestic price support program for rice. Expeditious Title I programming of low quality rice underpins the high quality export market, resulting in increased farm income as well as higher selling prices to OPEC countries. Consequently direct federal budget outlays for deficiency payments as well as CCC loan and storage operations are minimized, while selling prices to OPEC nations are maximized. Because of the foregoing, P.L. 480 provides long-term savings to the American taxpayer. If used widely P.L. 480 also helps to maintain lower food prices for American consumers by providing an outlet for surpluses thus maintaining increased production levels. This is not generally known by the American public.

In addition to bolstering farm income, developing export markets, P.L. 480 also feeds hungry people and assists in the economic development of lesser developed nations. This delicate balance of program objectives is the result of a long history of P.L. 480's strong, liberal and conservative bipartisan support. Who could vote against a program that helps farmers, develops markets, reduces direct federal budget outlays, battles inflation, supports the dollar, and feeds the hungry?

Since 1975 P.L. 480 has been tried and found wanting. Basic legislation has become encumbered by numerous unnecessary amendments turning P.L. 480 into a humanitarian Christmas tree that disregards commonsense and practicality. In reality P.L. 480 has been found wanting because it has not been tried.

The recently formed President's Commission on World Hunger terms "P.L. 480 legislative and administrative provisions and the related decision-making processes * * * cumbersome and overly complex." The message is simple: P.L. 480 is being legislated to death. Effective management has become increasingly difficult through the promotion of misdirected, giveaway programs to feed the world's hungry and by Congressional decrees to foreign governments telling them how to run their internal affairs.

Public Law 480 is entitled the "Agricultural Trade Development and Assistance Act of 1954." It is not the "International Development and Assistance Act of 1954." The opening bold, black letters in the print of the law very clearly state that P.L. 480 is "an act to increase the consumption of United States agricultural commodities in foreign countries * * *". In the first line of the preamble, Congress "declares it to be the policy of the United States to expand international trade; to develop and expand export markets for United States agricultural commodities."

For the most part Senate bills 962 and 1053 do not make any significant contributions to improving P.L. 480. The Rice Millers' Association is opposed to most provisions of these two measures. Our reasons are specifically outlined as follows:

S. 962

Section 2.—The provisions of Section 2 can be implemented by the Executive Branch within the framework of existing P.L. 480 legislation. See Sections 106(b)(1)(2)(3) and 406(a)(1)(2).

Sections 3-4.—We do not oppose these sections as they are technical in nature and will assist in clarifying existing provisions regarding the bases for debt forgiveness under Title III.

Section 5.—This section is not needed. Existing P.L. 480 legislation addresses Section 5's concerns. See Sections 106(b)(1)(2)(3) and 401(b)(1)(2).

Section 6.—This section places an additional burden on lesser developed host countries with already meager resources and trained personnel. One unwanted result in implementing this section would be reducing direct supervision by voluntary agencies thus encouraging corruption and misuse of Title II commodities.

Section 7.—We have no objection to this section.

Section 8.—We believe Section 8 can be accomplished under existing P.L. 480 legislation.

S. 1053

Section 2.—The Executive Branch already has the authority to toughen Title I credit terms. Existing authority could be used in conjunction with recently passed intermediate export credit legislation.

Section 3.—Our comments relative to Section 5 of S. 962 apply.

Section 4.—See comments regarding Section 6 of S. 962.

Section 5.—See comments regarding Section 7 of S. 962.

Section 6.—See comments regarding Section 4 of S. 962.

Section 7.—We are strongly opposed to paragraph (4). It is not the role of U.S. farm organizations or marketing cooperatives to participate in designing or implementing food for development projects in foreign countries. There are already provisions for AID to contract with private consulting enterprises for this purpose.

We oppose paragraph (5). State/AID are primarily responsible for developmental and security aspects of country level programs. USDA currently has its hands full trying to manage and administer P.L. 480. There is already too much developmental emphasis in USDA P.L. 480 policymaking. Marketing experience is sadly lacking.

Sections 8-11.—See comments regarding Section 4 of S. 962.

Section 12.—We strongly oppose this section. There already exists a 268 page task force report entitled "New Directions for U.S. Food Assistance: A Report of the Special Task Force on the Operation of Public Law 480" dated May 1978; a Presidential Commission on World Hunger is currently evaluating P.L. 480; Swathmore College is now undertaking an AID financed detailed study of P.L. 480 and food aid in general. The administration must currently submit to Congress quarterly Title I programming status reports, cross-country evaluations, and an annual report. Obviously, we do not need any more paperwork or studies. P.L. 480 is now being reported to death. The Executive Branch is already mired enough in Congressional reporting requirements.

Mr. Chairman, we appreciate the opportunity to appear before the subcommittee and make our views known. In closing we leave with the following summary thoughts regarding P.L. 480:

GENERAL

P.L. 480 was established primarily for the benefit of American agriculture. The basic mission of P.L. 480 is to reduce agricultural surpluses, bolster farm income, develop commercial markets for American agricultural products, and feed hungry people. To maximize the effectiveness of P.L. 480 it should be returned to its original goals.

ADMINISTRATION

A. The Secretary of Agriculture is designated by law as the primary P.L. 480 action officer. He acts with the advice of other government agencies. It is USDA's responsibility to provide the strong leadership necessary to guarantee the program's timely and orderly functioning.

B. Because of P.L. 480's many objectives, there are strong, competing parochial interests among government agencies, Congress, agricultural commodity groups, and foreign countries. The constant tugging and pulling by these various interests requires that USDA program leadership be sufficiently strong and aggressive to carryout program objectives. Anything less is unacceptable to maintaining competent program administration.

C. In spite of well-intentioned task forces, economic studies, developmental theories, and reorganizations, we still return to this basic premise: a program is only as good as the personnel administering it. We cannot expect Congress to legislate competence. If a program is in trouble due to weak management, one of the first actions Congress takes is to load the program down with restrictive amendments.

This has happened to P.L. 480 during 1975-77 because P.L. 480 was in trouble. Efforts should be made soon to eliminate or modify restrictive legislation.

Current legislative restrictions are causing problems with U.S. commitments under Title III. For example, the U.S. government may not be able to keep a commitment to one country because of an unexpected food shortage that must be satisfied in another country. USDA does not now have the flexibility to draw on financing sources for immediate response to emergency situations. Such authority to borrow from CCC used to be available to USDA. It should be restored. Other current legislative provisions that should be eliminated are Sections 111 (75/25 ration food allocation provisions) and 112 (human rights).

RECIPIENT COUNTRY OPERATIONS

A. Effective P.L. 480 operations also depend on the U.S. country missions in recipient countries. Each country is different and must be treated as such. Each country has its own unique political, economical, and developmental absorptive capacity for aid. If this capacity is exceeded, the result is waste.

B. Food aid should be administered so that the locals feel it is their program and understand that we are there to help. Host governments should not be treated as charity wards. Programs should be jointly planned and carried out by host government officials and U.S. mission personnel. If the U.S. country team does not do its job then all of the legislation and task forces in the world cannot make P.L. 480 an effective food aid program.

C. Human rights, environmental impact studies, etc. should never be permitted to delay getting food to hungry people. There is no justification whatsoever for the United States government to implement policy objectives that deny food to hungry people.

P.L. 480 has been around for 25 years. There is enough evidence as to what does and does not work. We recommend that if the P.L. 480 program is to be further evaluated that it be undertaken by experienced personnel with a reputation for commonsense and less flair for theoretical gobbledegook.

STATEMENT OF GREGORY SALI, S.A. INTERNATIONAL, INC.

My name is Gregory Sali and I like to call myself an American Farmer. I am here because I wish to testify for many of my fellow American Farmers who recognize that unless the United States opens up additional international markets for our agricultural production and technology, this country shall surely become a bankrupt one unable to assure its own destiny nor to be able to avoid the freedom throttling shackles of creeping total socialism similar to what we now witness in England.

The salvation from this hideous future lies in the largest industry in the United States—American Agriculture and the most excellent production performer in business today—the American farmer. The plight of the United States today in trading in international markets has come about because we can no longer compete with other industrial nations in an open price conscious market in world trade. The industrial and technical capabilities we once led the world in are now shared by other European and Asian countries that are now taking our markets. The United States enjoys the preference of developing nations for its technology, equipment, processing plants, agriculture products and technology and many other areas of American know-how and products. However, we cannot compete in our industrial manufacturing areas of non-farm products because our costs are too high. Only in the agricultural area do we continue to expand our production and lower our per unit cost but even here limits are being reached and growth dynamism is declining. The high U.S. costs of doing business internally are due to these basic reasons:

1. Labor costs per unit are too high in manufactured goods.
2. Environmental costs are unreasonable.
3. There is no effective assistance from our Federal government to create or maintain markets.
4. The hodgepodge of Federal restraints due to bureaucracy and inept Federal regulations is a paramount difficulty in meeting competition.
5. Taxing methods create burdens instead of assistance to international marketing. The cost of American employees in overseas work is far greater than employees from other countries.
6. Inordinately high Federally regulated costs of money impose almost impossible additional costs.
7. Our Government offices dealing in international matters consider themselves above the normal average businessman and refuse to give assistance except in a

cursory manner and prefer to deal only with large multinational companies. Commercial attaches are ineffective by design and negative in attitude.

8. Export restraints due to bureaucratic regulations create such a high base cost that medium and small business firms cannot shoulder the cost burden when attempting to deal with their counterparts in other countries. Thereby medium and small business are precluded from entering foreign marketing.

9. Financial practices in the U.S. do not assist in opening or maintaining foreign markets for U.S. goods and services. Therefore U.S. companies cannot compete with other industrialized countries where their Governments assist them in foreign marketing thru financial assistance. Only the multinational companies can avail themselves regularly of available limited U.S. assistance.

10. The attitude of Government bureaucratic people toward businessmen is that they are not entitled to a profit when dealing with underdeveloped countries which by far form the major portion of world markets. Therefore normal market development is foreclosed and our Government Agencies have drifted to a soft loan and grant system of developing markets and this simply does not work in today's competitive market.

11. The staffing of Government Agencies is overwhelmingly filled by people who are what we can term "professional do gooders" they have never started their own business, run their own business, had to make a payroll, had to survive a blanket of federal forms, had to make markets for their products in the face of their own Government opposition. They have never grown a crop, nor raised a herd of animals, nor raised a pound of their own food. And yet these are the people that are to tell the Farmers in American Agriculture how they must conduct their business not only locally but overseas.

12. We have a State Department that is a Government to itself. It is foreign to what we hold as American principles and believes itself to be so powerful and sacrosanct that it can spit on any American citizen that may dare to even approach it for help or question it. One can get more help and information from other embassies than it can from its own U.S. Embassy. The U.S. Embassies do exactly zero in helping U.S. businessmen in developing business markets. When they do appear to help it is with hand holding and platitudes and a condescending manner like business for profit was a dirty thing. Unfortunately, most Americans hold their Government Agencies to be knowledgeable and forthright and of good purpose and do not readily challenge them even when they suspect that something is not quite right. Therefore the State Department has become an overgrown giant serving only itself thru an elitist attitude and openly condemning anyone that challenges it, or remaining aloof daring anyone to change things. Its failures in the past generation are sufficient to dam it into extinction.

13. If a project initiated by private businessmen appears to compete with AID-State Department program in a developing country—they will overtly take action to kill the private enterprise project by whatever means they deem necessary, i.e. withholding of information, behind the scenes blackballing, deceit and deception, offering of positions and programs in competition, and overt estoppel actions when a complainant would attempt to reach the Presidential ear.

14. In practice today in the affairs of the Administrative branch, versus the Legislative branch we find a domination of the Presidency by the State Department, the result of which is that the State Department dominates all the other Cabinet posts and subverts the intent of Congress to its own desires. This effectively precludes any meaningful changes to correct matters being enacted by the Legislature. In many cases the legislation has been written but in administration it is changed to serve the State Department. The State Department we find is unresponsive to anyone in America, especially the Legislative.

15. The morass of Government Agencies and the scheme of paper shuffling, nipping, empire building, inept and unqualified personnel, sacred cows, etc., etc., leads nearly everyone in Washington to reply to questions by pointing the finger at "they" to explain why things are wrong—but in fact no one really knows who or what "they" is! It most likely is as Pogo. We have met the enemy and he is us! Anger, frustration, loss of respect for government, officials and employees is of course the natural result. Cost effectiveness cannot be realized under these conditions—decay of all institutions is clearly its final end. When no one seems to know which agencies are doing what they are supposed to or if they are properly doing their work at all, or know what is going on in Washington, then how can costs of doing business in overseas markets be minimized to allow us to compete in the real international markets today. How can we hold our markets, increase them at all under these conditions.

In the last year we have lost about 15 percent of our percentage market of foreign commodities of wheat, rice, soybeans and feed grains!

In view of these condemning points how in the world can we do something to open up foreign markets, to do something that can help our U.S. trade deficit, improve our balance of payments, revitalize the American dollar, and sell to the World our greatest and most plentiful renewable asset—American agriculture production and agribusiness technology?

In our opinion the answer lies in a few changes to the already existing laws of the land. These are:

(1) Change the Public Law 480—the Agricultural Trade Development and Assistance Act of 1954.) Title III Food for Development section so that the real production center of American agribusiness—the American Farmer—is brought directly to bear on the problem of helping developing countries improve their agricultural food production. This will open immense markets for not only excess agriculture commodities but for other agriculture products, animals, goods and services as well. In addition where totally integrated programs are implemented, the supporting U.S. Agribusiness industries are included in a “turn-key” package program and include: Architect Engineer efforts in design of food processing industries, equipment manufacturing industries, materials for construction, materials for packaging, refrigeration equipment and supplies, transportation equipment of all kinds, material handling equipment of all kinds, marketing services and supplies, management and training services and supplies. Infrastructure design, construction, operating supplies, training, management, etc., etc., and many, many others are also required.

(2) Insist to the Administrative branch that when the Legislature assigns the responsibility of implementing a program to a particular Cabinet Post that such responsibility cannot be shifted by Presidential whim to the State Department or to AID. Put teeth into the Congressional intent that if implementation is not successfully done by the specialists in a Cabinet Post, then such funds provided are immediately withdrawn, and new specialists provided. Specifically—provide for a strong Agriculture Attache in developing countries that holds a position next only to the Ambassador and provide that such funds be taken from the State Department budget and that this Agriculture Ambassador reports directly to the Secretary of Agriculture with advice only in Security matters from the State Department. Helping people to raise food certainly cannot be a security matter that is to be withheld by the State Department. Insist that the State Department be responsive to the Legislative branch by eliminating the so-called “professional statesman” who has been wrong in his appraisal of who our international “friends” and “enemies” for several decades. Such gross incompetence deserves to be immediately discharged. They haven’t been able to maintain our friends with the largest give-away scheme in the history of mankind, and this includes military as well as all other types of aid. Restaff with experienced businessmen that understand the economics of making sound peaceful relationships based on the interchange of commerce rather than weapons of war. Shift from a military export economy to an Agribusiness development economy as foreign policy. Revamp hiring and training methods so that employees that are agribusiness oriented people the staff of the State Department and since all of the Nations of the World are deeply concerned about food supplies and most are agrarian oriented societies does it not make more sense to have a staff that can relate knowledgeably to the major industries in those countries? The major industry is always agriculture! Take away the insulation of the State Department personnel hiding their incompetence behind supposed national security reasons.

The most compelling reason for peaceful coexistence is a vibrant economy where in all citizens participate and where Agriculture food production plays the dominant role. In every country the most active place of interchange between people is the food marketplace, whether it be the open street display in a village in Africa or India or in the Supermarkets of America. The best diplomacy any country can have is to help build a strong economy based on food self-sufficiency!

(3) Change existing legislation wherein soft loans or outright grants are used in assistance to a Public Law 480 title III development program wherein American goods and services must be purchased and used in integrated development programs that are agriculturally based. These would be:

1. Economic Support Fund (formerly Security Support Assistance Fund).
2. Food For Peace.
3. International Development and Food Assistance Act 1978.
4. Agency for International Development
5. Foreign Assistance Act of 1961.

The concept is to develop agriculture to a sufficiency level in emerging countries by joining together American food producers and processors with their counterparts in developing countries. Together they implement the development programs as private enterprise endeavors—one bringing expertise in agribusiness and the other the trainable labor resource. The new land is supplied by the government. Funding is

achieved thru the use of recipient government funds that are now outright grants and are not now used to stimulate further purchases of U.S. goods and services. The additional funds would create the possibility of several billions of dollars in title III type Food for Development programs each year.

The rate at which new American research in Agriculture will produce improve plants, animals, feeds insecticides, fertilizers, fuels, and agricultural equipment, means that this agribusiness relationship will be a lasting and enduring one.

In order to feed the growing population of the world, every day Agriculturists must ask the question, "How can more protein and a higher usable protein be produced per unit area?" The Answer of course is coming at a faster rate each year from American agribusiness. The transfer of this knowledge to developing societies must be done on the basis of the practical application of past and proven food production and the following with newer technology in the years ahead in the massive attempt needed to catch up and overtake world hunger, and to somehow give to all humans the opportunity of a modest reasonably content period of existence.

The hope of the world to adequately feed itself, to clothe itself, to house itself, and to furnish unto itself sufficient time and worldly goods and facilities to educate and make useful the minds of the young, to give progressful challenge to healthy active maturing minds in harnessing their energies, and to give realistic usefulness, respect and compensation to the mature experienced minds begins with the changes we recommend here. The task ahead and the market involved are so large that all Nations that call themselves civilized and industrialized must join together to initiate realistic agricultural development on the continental mass scale instead of fighting over the present small fragmented markets of developing countries.

We respectfully ask this Committee to make the necessary changes we have recommended here to the Public Law 480 Legislation and to take a Leadership role in making a new amended Law that will surely not only be good for all of America but for the peaceful relations with other countries of the world.

We express our gratitude for the opportunity to appear before you and participate in our American process of governing ourselves.

STATEMENT OF DON REEVES AND PAUL TABOR, FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Food Aid and Self-Reliant Development

The Friends Committee on National Legislation grows from individual and corporate experience within the Religious Society of Friends, but does not purport to speak for all Friends (Quakers). During the past quarter century, there has been widespread support among Friends for P.L. 480. We have urged the use of food aid to meet immediate pressing hunger needs, but have also been concerned with efforts to use this resource in ways which might effect permanent gains in the quality of life for the neediest.

We welcome the attention of Congress and this Subcommittee to proposals aimed at making food aid more effective with regard to long-range development objectives of the poorest nations (S. 962, S. 1053, and S. 1). We are especially concerned that food aid help more nations toward sustainable supplies of foodstuffs in ways which enhance their availability to the poorest in each nation.

We comment here on:

1. The need for careful assessment of food aid needs and the ability of recipient nations to use such aid in non-disruptive ways;
2. The balance between poor nations' self-reliance in food production and further development of commercial U.S. export markets;
3. Increased assurances of steady supply of food aid for development as well as humanitarian purposes;
4. Increased emphasis on increasing food security in developing countries;
5. Additional debt-forgiveness for food aid directed toward specified development projects; and
6. Increased reliance on indigenous institutions and workers.

Since the days of the Marshall Plan, the United States has made substantial contributions to the shape of foreign assistance offered by the "developed" industrialized nations. Our political and economic ideologies have had substantial influence in shaping policy within many multilateral institutions. During thirty years, however, the political, economic, and social realities of the world have changed. Colonies once operating under the constraints of an empire have become "developing" nations struggling to survive under the intricacies of a world economic order dominated by the "developed" nations and transnational business ventures.

One aspect of this harsh economic reality for "developing" nations can be seen in their increasing debt burden. The World Bank estimates that the outstanding external public debt of "developing" nations rose from \$40 billion in 1967 to nearly \$140 billion in 1974, with continued sharp increases to date. In 1977, "developing" nations owed \$29 billion to the U.S. government in official debt, plus \$42 billion to private U.S. banks. Even "foreign assistance" contributes to the increasing debt burden. Of U.S. economic aid provided from 1962 to 1976, over 40 percent has gone as concessional loans which must be paid back. This indebtedness means that "developing" countries become more dependent upon "developed" countries and their institutions and have few options but to use their available resources to procure foreign currency to pay debts. One result: fewer and fewer resources are available for internal services or development.

This external exchange problem is compounded by inequitable internal distribution patterns of whatever resources are available. Concentration of control over land and the use of land for export-oriented crops to pay debts tend to reduce domestic food production and contribute to increased dependency on foreign suppliers for basic commodities. The annual food deficit of underdeveloped countries is expected to jump from 36 million metric tons in 1978 to between 120-145 million metric tons in 1990.

Policies which encourage reliance on ever larger imports will need to be subjected to increasingly careful scrutiny by "developing" nations and those who would seek lasting solutions to the hungry and poverty that still plague one third of the world's people.

We would tilt development policies and uses of U.S. food aid even further in the direction of self-reliant development efforts. We would emphasize equitable economic, political, and social development among rural poor, as well as trying to meet immediate and basic physical needs. But the complexities of changing world realities and the variety of perspectives are real and must be faced.

The "patchwork" complexion of P.L. 480 is a reflection of the United States' gradually recognizing and attempting to deal with these various perspectives. Although the motivation of meeting human needs has been present from the beginning, P.L. 480 was designed primarily to meet U.S. needs. It was a mechanism to dispose of surplus agricultural commodities and to establish new and larger overseas markets for commercial and agricultural exports—a market that has grown from \$2.3 billion in 1955 to about \$26 billion in 1978. Food aid has also been used, along with economic aid, to accomplish political objectives such as helping to support governments judged to be political and economic allies of the United States, even though not always representative of their own people. As one example of such abuse, we point to Chile.

Economic aid was drastically reduced to Chile while Pres. Salvador Allende tried to implement internal reforms, which were seen as adversely affecting U.S. business interests. The aid was promptly restored and increased after Allende's overthrow by the military regime of Gen. Pinochet. P.L. 480 food aid mirrored this progression. The AID budget for Chile in 1968, two years before Allende's election, was \$57.9 million. It fell to \$0.8 million in 1973, the year of his overthrow, but quickly rose to \$31.3 million two years later. The P.L. 480 budget for Chile for Title I loans in 1969 was \$29.6 million, zero in 1973, and \$57.8 million in 1975. Title II grants were \$7.2 million in 1970, \$2.5 million in 1973, and \$17.2 million in 1977.

ASSESSMENT OF NEED

We feel that one of the most constructive changes in P.L. 480 would be language to require more careful assessment of need within each country being considered for receiving food aid. Section 2 of S. 962, which stipulates that P.L. 480 programs "shall be directed toward the attainment of humanitarian and developmental objectives," is a helpful addition to the present mild counsel in Sec. 401 against undermining local food producers. It is a helpful clarification among multiple objectives. We would prefer, however, the even stronger directive in H.R. 2705, that commodities under any title of P.L. 480 be provided only when there is "a legitimate need for the types and quantities of agricultural commodities to be made available."

Probably too little attention has been paid to the disincentive effect of concessional sales under P.L. 480. The presence of "cheap" grain or food can be a serious barrier to developing or maintaining indigenous production. In Columbia, for example, local wheat production dropped 65 percent from 1955 to 1971 in the face of P.L. 480 shipments totaling 1.21 million metric tons of wheat flour, much of which could have been produced domestically. This tenfold increase in wheat imports accounted for 90 percent of Columbia's domestic wheat consumption, compared to less than 25 percent imported wheat prior to the P.L. 480 shipments.

Apparently the resources, land, and people, were not fully utilized in other production. By 1971 only 22 percent of the 212,000 hectares previously planted to wheat were still seeded to wheat. Though acreage planted in the other two principal crops, barley and potatoes, was increased, the total area planted in those three crops fell 103,000 hectares. At least one study concludes that the net effect was unutilized, or underutilized, land, and unemployment.

A 1975 GAO study on Title I reported that the program had "adversely affected production in recipient countries by keeping down prices and permitting governments to postpone needed agricultural reforms."

The needs assessment ought also to consider the recipient country's intention in policy and ability (i.e., physical infrastructure) to use the commodities or the money from their sales in ways that effectively benefit the basic needs of the poor before food aid is furnished. This might avoid the ineffective use of P.L. 480 food aid in meeting the needs of the poor that has, unfortunately, occurred in past situations where need was determined solely on the basis of "poverty" level per capita GNP. As a positive illustration, we might point to the "fair-price shop" system of market differentiation which, in India in the years 1956-67, had negligible direct disincentive effects.

We hope the Subcommittee will consider the "legitimate need" and "effective and sustainable program" language of Sec. 2 of H.R. 2705.

U.S. MARKET DEVELOPMENT

While we would clearly give priority to equitable and self-reliant development over creation of additional commercial markets for U.S. commodities, we do not see these as mutually exclusive goals. There are instances when moves toward food self-reliance, especially as part of an overall development pattern, have resulted in increased opportunities for dollar sales of U.S. farm produce. Taiwan comes to mind as an example.

With caution, then, we endorse "special consideration for increasing effective demand for food within purchasing countries by supporting a variety of measures to stimulate equitable economic growth" (S. 962, Sec. 5(a)). We would emphasize the equitable economic growth, giving priority to efforts for domestic production of needed foodstuffs. If, as seems likely in some instances, especially over a longer time span, there were effective demand for U.S. produce, that would be a happy side effect.

It is incumbent upon us, as participants in a democracy, to realize that, as Sen. McGovern said in introducing S. 962 on April 10, "the failure of millions to have the basic human requirements of an adequate diet cannot be justified, either by the values of democracy or by our desire for a more secure future." Our country's future is that very same future as the rest of the world's. Its well-being, especially the elimination of hunger and poverty, must rest upon a foundation of justice.

STRENGTHENING FOOD SECURITY

We endorse the substance of Sec. 8 of S. 962 in strengthening food security in "developing" nations by increasing local food production and creating and strengthening domestic food reserves. We believe that locally produced food should preferentially be used in the creation of these reserves to foster confidence in the local production system, but in time of emergency or short supply when a legitimate need is determined to exist, P.L. 480 food aid might be used to bolster the reserves. Food security, as it contributes to food self-sufficiency, is an important facet of overall self-reliant development.

We also support the amendment in Sec. 3 of S. 962 to broaden assurances of supply of agricultural commodities for developmental as well as humanitarian purposes. Successful development programs will inevitably require sustained effort and, insofar as they rely on food aid, cannot be built on an intermittent supply. Successful development will also contribute to food security.

OTHER BRIEF COMMENTS

We applaud and support the amendments contained in S. 962 and S. 1053, and passed by the House, dealing with extension of debt-forgiveness provisions of Title III as they presently apply to proceeds from commodity sales used in specified development projects. This extension presents new possibilities for the creative use of Title III food aid such as projects that aim at increasing local food production through "rural colonization." New settlers would be sustained with food rations until they are able to harvest and sell their own crops. But again, we repeat a word of caution about the potential disincentive effect of such aid.

We endorse the subsection in S. 962 and S. 1053, dealing with Sec. 305 of Title III, which would allow the forgiveness of not only the principal but also the interest on credit furnished by the Commodity Credit Corporation, provided the commodities or proceeds from their sales are used in specified development projects. Such forgiveness of interest is added relief for "developing" nations already staggering under the weight of high indebtedness.

Lastly, we are pleased with the amendment in Sec. 6 of S. 962 and Sec. 4 of S. 1053, which broadens the role of indigenous institutions and workers under Title II programs. By utilizing the experience in and sensitivity to local conditions of these institutions and workers, we may help avoid creating psychological dependency within groups receiving food aid and encourage the development of local leadership.

Again, we are heartened by the efforts of Congress and this Subcommittee to find ways to use our agricultural abundance to reach just and lasting solutions to almost overwhelming problems of world hunger.



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